GUIDE TO FOOD AND BEVERAGE MANUFACTURING IN ONTARIO 2015

Ministry of Agriculture,
Food and Rural Affairs

Ontario

Acknowledgements

The Business Development Branch at the Ontario Ministry of Agriculture, Food and Rural Affairs acknowledges all those individuals who worked on putting this resource together, both in the Ontario Public Service and in the food manufacturing sector in Ontario. There are too many to mention here however, their dedication, hard work and commitment are greatly appreciated.

Disclaimer

Content

This resource is provided as a public service. Although we endeavor to ensure that the information is as current and accurate as possible, errors do occasionally occur. Therefore, we cannot guarantee the accuracy of the information. Readers should where possible verify the information before acting on it.

External Links

There may be websites linked to and from this resource that are operated or created by or for organizations outside of the Government of Ontario. Those organizations are solely responsible for the operation and information (including the right to display such information) found on their respective websites. These linked websites may or may not be available in French. The linking to or from this site does not imply on the part of the Government of Ontario any endorsement or guarantee of any of the organizations or information (including the right to display such information) found on their respective websites.

The Government of Ontario does not assume and is not responsible for any liability whatsoever for the linking of any of these linked websites, the operation or content (including the right to display such information) of any of the linked websites, nor for any of the information, interpretation, comments or opinions expressed in any of the linked websites. Any comments or inquiries regarding the linked websites are to be directed to the particular organization operating the website.

Published by the Ontario Ministry of Agriculture, Food and Rural Affairs

Toronto, Canada
ISSN 2369-503X (Online)
ISSN 2369-646X (Print)

Introduction

Welcome to the 2015 edition of the *Guide to Food and Beverage Manufacturing in Ontario.*

Congratulations on being part of Ontario's food processing sector. The largest in Canada, the sector employs over 100,000 people across the province.[1]

This guide is just one of many resources that the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) offers individuals and businesses starting or growing a food processing business. If you are new to food processing in Ontario you may find it useful to download and print this guide in its entirety. If you have an established food processing business and are looking for specific industry information then print the sections that are of particular interest to you.

OMAFRA has partnered with the Province of Nova Scotia to produce this guide. The guide reflects the advice, knowledge and experience of many successful food sector entrepreneurs and business development experts.

Whether you are new to the food industry and starting a new business, or are considering expanding your existing operation, you will find information and easy-to-follow tools and templates to help you:

- Plan for your food processing business's start-up and ongoing success
- Take your product from concept to market
- Set your product's price
- Find and sell to customers
- Learn about the programs, services and resources that are available to food processing businesses in Ontario

Good luck as you build and grow your food processing business. Whatever your growth, investment or export goals, OMAFRA's Business Development Branch has the knowledge, connections and resources to help you succeed.

To learn more about any of the topics in this guide and other resources for food processing businesses, please visit our website https://Ontario.ca/foodbusiness.

[1] Ontario news release. September 13, 2013. http://news.ontario.ca/opo/en/2013/09/supporting-ontarios-food-processing-sector.html Accessed January 18, 2015

Table of Contents

SECTION 1:

Starting Your Business with a Plan and Support

Everyone needs a business plan. It does not matter whether you are starting your very first business or growing an existing one, you always need a plan.

It is also important to know whether entrepreneurship is right for you and where to find the services and support available to help you get started.

In this section you will learn:

- If entrepreneurship is right for you and support services available
- Why you need a business plan
- The key elements of a business plan
- How to research the information you need for your plan
- Where to find support for your business

Is Entrepreneurship Right for You?

Think you are ready to run a business?

Take a few minutes to learn more about the reality of being your own boss and what it takes to succeed. The Government of Canada has information that could help you decide. To learn more see Canada Business Network: Is entrepreneurship for you? http://www.canadabusiness.ca/eng/page/2858/

Even experienced business owners can benefit from coaching or counseling. If you are ready to take the next steps and want some support, try these resources:

Business Development Centres and Consultants

Do you need help writing your business plan, doing your research, or developing the skills you need to be a business owner? Small business development centres or a consultant can help. Make sure you do your research and select a consultant that is right for you and your business. You may need to spend some time before contacting a consultant to identify your business needs and your budget for this service.

Here are a few resources to help you get started. You'll find more resources in Appendix A.

- Ontario Small Business Enterprise Centres http://www.ontario.ca/business-and-economy/small-business-enterprise-centre-locations
- Service Ontario https://www.ontario.ca/page/small-business-advice-support-services-regulations
- Community Futures Development Corporations http://www.oacfdc.com/index.php/public-information
- Canada Business Network http://www.canadabusiness.ca/eng/page/2856//
- Human Resources and Skills Development Canada http://www.hrsdc.gc.ca/eng/home.shtml

Seminars and Workshops

You may be interested in taking a seminar or workshop on how to start up a new business. Many are free or cost very little. Topics include taxes, business planning and marketing.

To find one, check with groups like these:

- Banks and other lenders (e.g., Business Development Bank of Canada, Farm Credit Canada)
- Ontario Small Business Enterprise Centres
- Food sector associations
- Industry conferences and tradeshows
- Food festivals and events
- Government agencies
- Regional economic development organizations
- Manufacturing organizations (e.g., Excellence in Manufacturing Consortium, Canadian Manufacturers and Exporters)
- Chambers of Commerce

Look for other helpful tutorials and webinars by searching the Internet.

Formal Training

You can go to school to study business and the food industry. To find a list of institutions that offer various courses go to:

(http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/institutions.htm)

To find a university or community college near you, go to: Ontario's Ministry of Training, Colleges and Universities http://www.ontario.ca/education-and-training/go-college-or-university-ontario

Job Shadowing

One of the best ways to learn about the food processing industry is to work in it. Consider volunteering, job shadowing, or working as an intern. This will give you valuable experience and connections. To find a position, get in touch with an industry association or a career and placement centre.

Business Incubators

A business incubator is an organization that offers a wide range of services and resources to help grow your new business. These include physical locations, mentoring assistance, management assistance, business counseling and advisory services, technical information, financial advice, training, networks, and more.

Some incubators are general in nature and will accept new clients from a variety of sectors, while others focus on specific industries or technologies. The Toronto Food Business Incubator (http://www.foodstarter.ca/) is a non-profit organization that assists entrepreneurs in establishing and growing food processing companies. Find more resources on business incubators in Appendix A.

Resources for Young Entrepreneurs

Canada Youth Business Foundation (http://www.cybf.ca/) provides mentoring, coaching, peer networking, financing and other resources for people ages 18–34 who are starting up a new business.

Resources for Aboriginal Businesses

Aboriginal Affairs and Northern Development Canada (http://www.aadnc-aandc.gc.ca/eng/1375201178602/1375202816581) helps Aboriginal entrepreneurs and organizations achieve their business goals.

Think you are ready to run a business? Now it is time to learn more about why you need a business plan.

Why You Need a Business Plan

Writing your business plan will help you see if your idea could work. It will spell out the steps you need to take to grow a successful business and identify the resources needed e.g., equipment, other partners, business space, and even employees.

Others Expect You to Have a Plan

If you need money to help get your business going, investors, the bank, and any government funding programs will require a plan.

Planning Takes Research—Lots of It

Writing your business plan will take a lot of research. The more research you do, the better. Research can show you the hurdles you need to overcome, identify unexpected costs, and help you avoid spending time and money on a project with little or no chance of success. Research can help you "fail small and fail early" or not fail at all.

Key Elements of Your Business Plan

Business plans come in many different forms and lengths, but they all contain the same core information. You can find many business plan templates on line.

The Canada Business Network (http://www.canadabusiness.ca/eng/page/3426/) contains detailed information on writing a business plan as well as sample templates. See also Appendix A for links to business planning software available for purchase.

Your business plan should include:

Executive Summary

An executive summary of your business plan can be one to two pages in length. Investors especially will look at this section to see if they are interested in learning more about your business. Everything here is detailed elsewhere in your plan, so keep it brief. The Executive Summary should include:

- A general description of your product, the market in which you are entering, and what makes your product different from your competition
- Short and long term goals (start up, growth potential, new markets, and expected income)
- Ownership structure (sole proprietorship, partnership, corporation, and the management team)
- Financial highlights and other financial requirements

Business Description

Include a general description about your business, such as:

- History
- Vision and/or mission
- Goals and objectives
- Ownership structure and the expertise they bring to the business

See also Section 2.1: Setting up your Business.

Inventory Overview

Demonstrate the potential success of your business by discussing the size and growth of your industry, and the key markets within it. Be sure to include:

- A realistic analysis of your market share
- Major players in your industry
- Industry and economic trends affecting your industry
- Certifications, insurance, and industry or government regulations required
- Overall growth potential of your industry

See also Section 2: Stages of Business Growth for Food and Beverage Companies

Product(s) Description

Go into details about your product(s) including:

- Features and benefits
- Competitive advantages
- How and where your products will be produced

See also Section 4: Developing Your Product Prototype.

Marketing Strategy

Provide details about your:

- Promotion strategy (see Section 5: The Marketing Plan)
- Placement strategy (see Section 5.1: Placing Your Product)
- Pricing strategy (see Section 5.2: Pricing Your Product)

Operations Plan

Provide:

- A profile of your management team (see Section 3: Financing Your Food and Beverage Business)
- A human resources plan (see Section 7: Human Resources)
- Your business location and facility, production plan, and an overview of day-to-day operations (see Section 4.1: Manufacturing Your Product)

Financial Plan

Some believe this is the most important part of a plan. You will need to show at least three years' worth of projected financial statements, including income statements, and monthly and annual cash flow statements. Be sure to document all of the assumptions you used in forecasting your revenues and expenses. See Section 3: Financing Your Food and Beverage Business.

Now that you know some of the key elements required in a business plan, it is time to start your research.

Researching Information for Your Business Plan

Invest the time required to research the information needed for your business plan. This is a key step and critical to your success. One great place to start your research is by looking at other food and beverage manufacturing businesses to see what they make, how they make it, their target market, and more.

You can find a list of trade associations on the Ministry of Agriculture, Food and Rural Affair's website (http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/associations.htm).

For details on Canada's food and beverage processing industry in terms of value of production read Significance of the Food and Beverage Processing Industry in Canada (http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/processed-food-and-beverages/?id=1361290991391).

Check also this site on Statistics and Market Information by Product (http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/?id=1361289956531).

Learn about Ontario's Food and Beverage industry on the Ministry of Agriculture, Food and Rural Affair's website (http://www.omafra.gov.on.ca/english/food/investment/learn-about-fb-ind.html).

Online Resources

- Canadian Manufacturing: Food in Canada http://www.canadianmanufacturing.com/food
- Canadian Manufacturing: Canadian Packaging http://www.canadianmanufacturing.com/packaging

Search Your Library

- Profiles and studies of other food and beverage industries
- Annual reports of other food and beverage industries
- Articles and newspaper clippings about the industry or participants
- Company directories
- Company documents
- Trade magazines (see Appendix A)
- Industry association's newsletters
- Statistics Canada information
- Reference books on starting a business

Industry reports that have already been done can help you identify specific market information e.g., food consumption habits, consumer price indexes, and income groups. This type of information will help you determine potential target markets or product demand. Be sure to also search the internet for relevant YouTube videos and TedTalks.

Food Product Databases

Look for research, consumer surveys, business trends and developing technologies from all over the world on a wide variety of food product databases.

You can access some for free at a library or on the Internet. Others are available through data services for a fee.

Make a list of key words that describe the industry, the business and the topics you are researching. Examples include:

- Company names
- Industries
- Products
- Topics
- Individuals
- Locations

Paid Food Product Databases:

Global New Products Database
http://www.gnpd.com/sinatra/gnpd/frontpage/

Euromonitor International
http://www.euromonitor.com/canada

Planet Retail http://www1.planetretail.net/

Learn from Example

It helps to know how other entrepreneurs started their businesses. Read this article to learn about their successes and failures.

"Start Your Own" http://v1.theglobeandmail.com/startyourown/

Once you have completed your research, you should talk to an expert who can help you finish your plan and provide advice and support for your business.

Finding Support

Now that you have done your research you know about the demand for your product, how to make it unique, and what it will take to get it produced. You are ready to speak to experts or others working in the industry for more advice and guidance.

This support can come from a wide variety of sources.

Industry Associations

These are made up of businesses that operate in a specific industry. You can contact associations for more information about your industry, or become a member to get regular updates on topics that will affect your business, and key factors for success.

You will find a list of them on the Ministry of Agriculture, Food and Rural Affair's website (http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/associations.htm).

Advisory Board/Food Industry Mentors

Many successful businesses have advisory boards. These are made up of experienced people who give the business owners advice and guidance. You might want to create your own advisory board or find a mentor to advise you.

Look for someone with food industry experience who is willing to share what they know with you. Potential mentors, or board members, could be:

- Retired/previous owners or managers of similar businesses
- Non-competing business owners
- Potential customers
- Key suppliers
- Lawyers
- Accountants
- Financial planners
- Bankers
- Investors
- Technical experts

Successful business people in non-food related sectors can also provide valuable advice on how to start up and manage your new business. Tips and experience from one type of business often work just as well for another.

The Ontario Network of Entrepreneurs (http://www.onebusiness.ca/) is a one-stop shop for anyone involved in planning, launching or building a company. The network's website will connect entrepreneurs across the province to advisors in their communities, who can help with everything from writing a business plan to developing a strategy to export products.

Peer Networks

Look for local or internet-based business professional and entrepreneurial networks that will share their support and information. These networks do not need to be food related. Peer networks are great for learning best practices, making industry connections, developing potential customers, and promoting your business. These are some examples of peer networks:

- Chambers of Commerce
- Food industry associations
- Local food groups
- Social media networks (e.g., Facebook, Twitter, LinkedIn)
- Women in business networks
- Young entrepreneur networks

On-Farm Value-Added Products or Services

Find new value, profit and success from what you already produce on your farm to create a new product or service. Before doing this however, make sure you check your municipality for zoning regulation by-laws.

Learn from successful farmers who did it and complete training that will guide you through the process. The key is to create a plan that suits your needs and outlines your next steps. Avoid pitfalls, plan ahead and learn from others. The Ontario Ministry of Agriculture, Food and Rural Affairs offer a host of resources to get you started (http://www.omafra.gov.on.ca/english/busdev/diversifyfarmbus/valueadded.htm?utm_source=shortlinks&utm_medium=web&utm_campaign=e996).

CHECKLIST

- I am ready to be an entrepreneur.
- I can describe my business concept (what my idea is) in one minute.
- I have set up a research binder to file my information.
- I can describe the customer that would buy my product.
- I am learning about the demand for my product.
- I can list my competition and have begun gathering information on them.
- I know what makes my product better or different.
- I have researched other food and beverage manufacturers to see how they succeeded or failed.
- I have contacted industry associations to find experts who can advise me.
- I have a business plan template and have made progress in filling it in.

SECTION 2:

Stages of Business Growth

Starting a food and beverage company and becoming successful can take up to 15 years and a huge investment that includes money, time and commitment. It also requires a great deal of patients and foresight as your business will go through many different stages as it grows.

At each stage, you may want to ask yourself if this is the size of business that satisfies you in the long term. It is not too early to have an exit or succession plan as you will not be around forever to run your business. You may be happy with a part-time food-selling enterprise that can be sold for a substantial profit, or you may want your business to be sustainable and return a significant profit which you can pass down to your children. You should try to identify the desired size of business as well as your exit plan when you write your strategic plan (see Section 2.1: Setting up your Business).

Each stage of building a food business has issues and "growing pains." Businesses that thrive will evolve through each stage. Review these stages. It helps to know what to expect.

In this section you will learn:

- The microbusiness stage
- The cottage industry stage
- The emerging business stage
- The small to mid-sized manufacturing stage
- The large or multinational enterprise stage
- Idea generation

The Microbusiness Stage (Sales under $25,000 per year)

This is the start-up stage where you first learn about making a commercial product.

Preparing your product

You made a prototype at home, now at the microbusiness stage you will need to use an approved and inspected site for food preparation. Many entrepreneurs start up in an inspected church, community centre, or municipal food incubator kitchen.

Product sales

Products tend to be sold at seasonal craft sales and farmers' markets or at a local specialty food store. Some microbusinesses have a market booth a few days a week, or sell through roadside on-farm stands. You may want to sell your product at farmers' markets and craft shows, or invest in a booth to open a seasonal spot in a local mall.

Product labelling

Check the website for Canadian Food Inspection Agency to access the Industry Labelling Tool. This is a food labelling reference tool for all food inspectors and stakeholders in Canada. It replaces the Guide to Food Labelling and Advertising, and the Decisions page to provide consolidated reorganized and expanded labelling information (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939#a5_3).

In this stage, products are often labelled by hand. If you make your own product you may deliver and/or sell it at road-side stands, craft shows, flea markets, local farmers' markets, specialty stores or a sugar bush. You do not need nutrition information on your labels for packaged products when your annual sales are less than $50,000.

Product costing and pricing

There is a difference between product cost and product price. Product cost is the sum of all of the costs you incur to manufacture your product. As a new start-up business you need to be prepared for any additional costs later on. You cannot change your price to the consumer once you have set a retail price point. See Section 4.1: Manufacturing Your Product to learn more about product costing models. Product price is your final selling price of your product. The pricing of your product will be based on your product cost and what customers are willing to pay (see Section 5.2: Pricing Your Product).

Packaging, ingredients and gross margin

The cost of packaging (including labeling) and ingredients for successful microbusinesses generally ranges between 20 to 40 per cent of the product's selling price. The remainder of the sale price after the cost is paid is called the gross margin. For example, a bottle of jam priced at $9 may cost between $1.80 and $3.60 to make, leaving a gross margin that will range between 80 and 60 per cent respectively (see Table 1: A Sample Product Costing Model in Section 4.1: Manufacturing Your Product).

Operational costs

These include the rent you pay on the space you use for production as well as financing, utilities and transportation costs. Section 4.1: Manufacturing Your Product provides a good example of a product costing model that you can easily follow. Remember to pay yourself and keep good records using either a software program or the services of an accountant.

Product development

Farmers' markets and specialty stores are excellent test market venues. A product or product line that gets repeat customers and grows in demand over an 18-to-24 month period may mean you are ready to move to the next growth stage.

Getting to the next phase

There are several challenges you may face in growing your business to the next level. These include:

- Needing more help with labour as sales grow to $50,000 and $100,000
- Needing capital to lease or buy space
- Hiring staff for management and other role specializations
- Focusing on your product costing model to ensure a healthy gross margin
- Changing how you think about your product sales from "by the jar" to "by the case"

The Cottage Industry Stage (Sales under $250,000 per year)

With a good product, effective marketing, and strategic leadership, your microbusiness can thrive. Typically, this is the stage where you improve your packaging and labels; get an indoor booth at a market; start selling to a few more specialty stores; build an enclosed store of your own and/or invest in two or three seasonal mall outlets. For some entrepreneurs this is the perfect size of business. It provides independence with a modest income.

Labour

This formative stage of the business requires more labour. You cannot do it alone anymore and you may need to enlist family members or friends.

Product costing and pricing

This business scale provides efficiency and more return; as you sell more, your overhead costs per unit should come down. By now, it is possible to produce products for about 40 to 50 per cent of your selling price. You should have a specific costing model for each kind of product you make. This will help you differentiate the price of various items in your product line in order to make a consistent gross margin on every product. For example, you know what it costs to make that jar of jam you priced at $9; now you can sell it for $7.50, at a lower gross margin. You make more money because you are selling five times as much product.

Getting to the next phase

By this point it may seem, that your product line is becoming well known, which can help you make the transition to the next business level. You may still face some challenges, however. These may include:

- Learning to export to a new market
- Achieving $500,000 to $1 million in sales
- Developing a professional label
- Minimizing capital investment in production facilities
- Committing to and executing a marketing plan
- Finding market channels that fit your capacity

- Developing specialized management help
- Complying with food safety and labelling requirements
- Choosing and using brokers and distributors (see Selling, Wholesalers and Brokers in Section 5.1: Placing Your Product for definitions of brokers and distributors)
- Transitioning from self-distribution to trucking services
- Changing the way you think about sales from "by the case" to "by the skid"
- Navigating growth, possibly to a new location with a capital cost for moving

The Emerging Business Stage (Sales under $2 million per year)

At this stage, a food business needs a full-time management team. You are likely investing in food processing equipment. You may now be familiar with municipal, provincial, and maybe even federal food safety inspectors (if you are selling outside the province). Your company may have employees that are not family members or friends.

Co-pack business

You may be debating between getting your own factory and entering into a contract with a co-packer. Using a co-packer could help keep your cost of goods low enough that you can market your product in more sophisticated channels (see Section 4.1: Manufacturing Your Product).

Capital investment

If you want to control the entire process and marketing cycle, there will be challenges. Equipment needs to run steadily in order to pay for itself. Your break-even point on processing would likely be possible at one shift per week so you need enough business to run your line at least eight hours a week.

Successful companies have been known to move or do a major expansion when they reach these benchmarks: $250,000, $1 million, $2.5 million, and $10 million.

Stewart Metcalfe of Colliers International Food Advisory Services Group (http://www.collierscanada.com/en/People/Stewart-Metcalfe) notes that food processors commonly invest in the range of $30–$100 per square foot retrofitting standard industrial buildings into food-grade facilities. Constructing brand new food processing facilities is expensive and can cost more than $200 per square foot depending on the type of processing (e.g., meat, bakery, dairy) and the level of certification being achieved. When a company moves, previous investments in improvements to the site are either lost (in the case of a leased facility) or discounted (in the sale of a facility that was owned), and the investment must be remade in the new, larger facility.

Market-entry channels

Many small food businesses grow in this phase by seeking out low-cost market entry channels. These include:

- Internet sales
- Foodservice (businesses, restaurants, hospital cafeterias)
- Specialty and gourmet food stores
- Small independent grocers
- Convenience stores
- Local food processor retail networks

Product costing and pricing

When you begin to use wholesalers and brokers, your costing models will have to reflect their share. What you sold for $9 at a farmers' market may only move off the gourmet store shelf if it is priced at $7. The grocer will want 50 per cent of that; the distributor gets 20 to 25 per cent, and the broker will probably want 5 per cent. Originally, as a microbusiness, that $9.00 jar of jam cost you $3.60 to make. Now you're selling it for $7.00, and are paying $5.25 to the wholesaler/broker/distributer. That means you have about $1.75 left. Your jam must now cost you $1 to leave you with enough gross margin to make a profit. Yet, if enough customers are buying it, you still may be able to make the same income.

Getting to the next phase

To grow your business bigger, you may face more challenges, which could include:

- Distributing from one or two locations into a network of stores, instead of doing all your distribution yourself
- Moving into low-cost market entry channels that may require brokers and distributors
- Rethinking how to price your product
- Sustaining export sales with more than one foreign customer
- Designing the capacity of your facilities to be viable at low production rates
- Filling specific roles in sales and marketing, production, procurement, food safety and quality assurance, and finance and logistics
- Changing the way you think about your product; everything from the sign on your store to the label
- Navigating the capital cost of growth and possible relocation to a larger facility

The Small to Mid-sized Manufacturing Stage (Sales under $10 million per year)

Small to mid-sized manufacturers are in a challenging position. They have moved away from their microbusiness roots and are no longer directly connected with their customers. Yet they may not have the scale to compete with large companies for grocery store space.

Growing pains

Small businesses can grow quickly and the focus of the business owner may shift from business growth and sales to factory size.

Co-packing

Learning how to maximize capital investment in processing facilities is a challenge for small manufacturers. At this stage, you may even be willing to do co-pack business for other microbusinesses starting out in order to keep your equipment paying for itself. Co-packing can be a profitable sideline if you can accurately cost the product and use equipment that might otherwise sit idle.

Marketing costs

Your marketing costs grow significantly at this stage. You may need to hire new brokers for specific chains. You will have to pay listing fees and allowances to get on shelves. Product demonstrations can cost $100 to $150 per day for a three-day demo that you will need to do in 100 stores. Marketing costs for a new product introduction can add up significantly and a listing only guarantees you shelf space for a short time. It can take a great deal of money to launch one new product across retail chains in North America and there's no guarantee of success.

Exporting

Expanding into international markets can give your company a chance to increase sales and profits through new contacts. Despite the added costs of exporting, you can save costs by producing on a scale that makes better use of your resources, leading to higher profit margins. Exporting can also reduce your dependence on existing domestic markets, which can fluctuate with the domestic economy. It can also help make you more competitive by exposing you to international best practices, ideas, and alternative ways of doing business.

Product testing

Your local specialty or health food store may provide an excellent test market for new products. The close interaction with customers allows companies to develop products and pinpoint the winners. If your products test well and gain sales over 18 months in a test market, they are more likely to be successful and generate great sales data to show a potential large retail customer.

Getting to the next phase

You'll need to clear more hurdles to get to the next phase, including:

- Managing an export market while domestic markets expand rapidly
- Identifying low-cost market entry channels that may require brokers and wholesalers
- Rethinking how you price your product
- Designing the capacity of your facility to be viable at low production rates
- Learning to work with more brokers and wholesalers
- Tackling energy and water efficiency issues
- Empowering a larger team of key employees (see Section 7: Human Resources)
- Considering selling the business and start your next non-competing firm (this size of business attracts the attention of international food companies)
- Navigating the capital cost of growth and a possible relocation to a larger facility

The Large or Multinational Enterprise Stage

At this stage, sophisticated management teams report to a central governing body. Issues at this stage include:

- Controlling costs
- Competing for capital at both the plant and country level
- Working on harmonizing regulations across governments both on behalf of the company and on behalf of the industry through trade associations

The challenges of growth intensify, along with the need for a keen focus on government and client relations. Sophisticated systems and cross-border harmonization issues become hallmarks of your operations.

A key executive decision maker in your firm should be working closely with a local business development consultant on specific topics such as energy efficiency. That person will be receiving monthly updates on important topics, including highlights of programs and services that could help grow your business.

Idea Generation: Don't Stop at One Idea

One great product is rarely enough to keep a food processing business going over time. Changes in consumer behaviour, new competition, consumer fatigue, and trends in the marketplace all mean you need to keep coming up with new ideas to add to your product mix.

It is also a fact that most new concepts fail, so if you have only one, you reduce your chance of success.

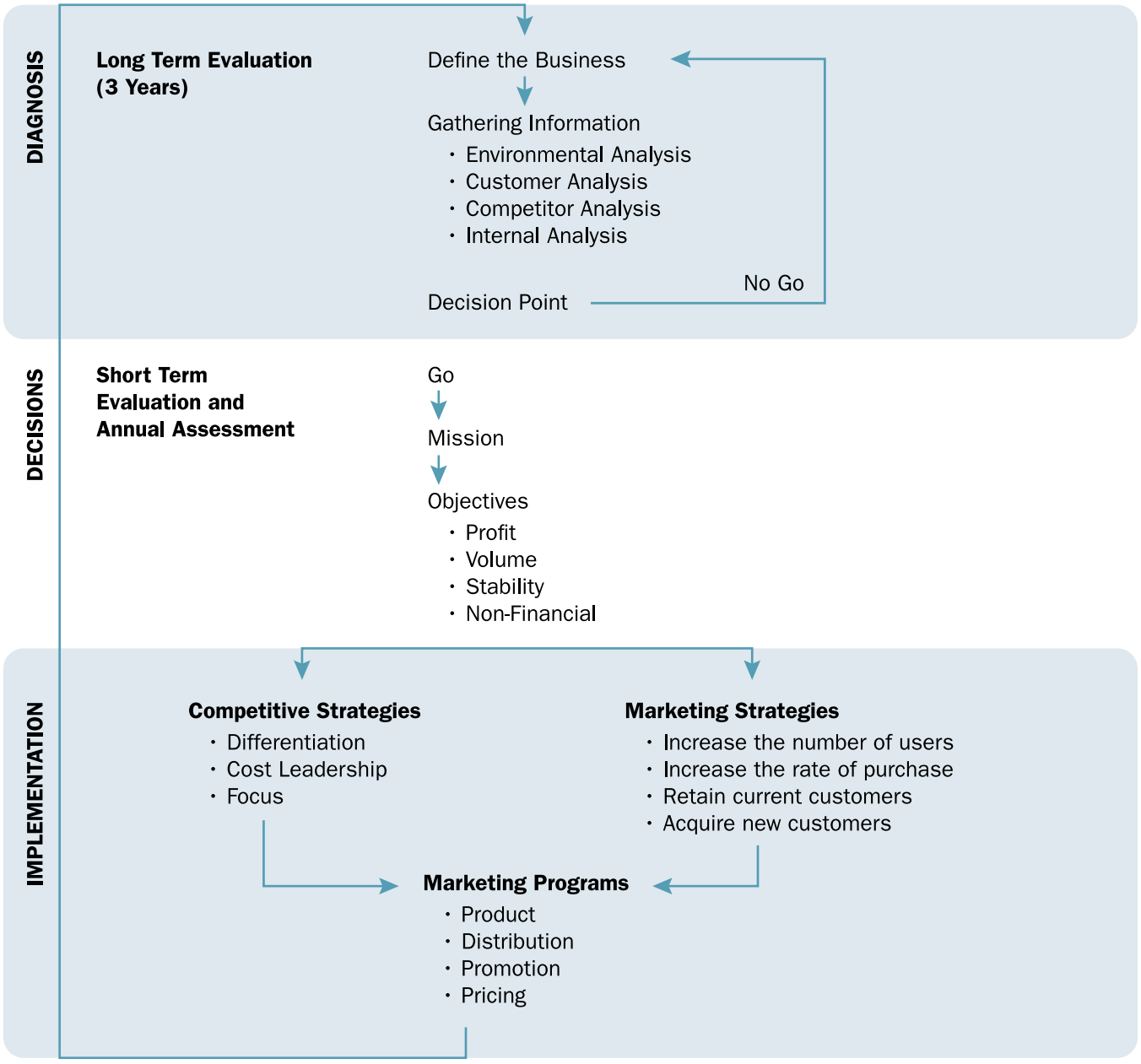
So how do you come up with more new ideas?

One way is to do some research into consumer trends, food industry trends, and advances in food processing technology, then make a list of all the new food product ideas that you could make.

Another approach is to focus on consumers' needs; use the customer as a source of ideas. This may require doing in-depth research into customer behaviour, likes, and dislikes. When you identify a new need, ask yourself how you can fill it.

Once you have a list of ideas to explore, make sure their align with your business vision and mission then go back to the business planning process you followed for your original idea. Take each of the ideas and do some research to decide if it is worth making. Check to see if there really is a market for each idea, how much consumers would be willing to pay for this product, if this product already exists, and if it is even possible to make it. This step should hone down the number of ideas you think really stand a chance of succeeding.

The chart below describes all the steps you should go through to develop, research, and test a new idea to see if it is viable.



Section 2.1: Setting up Your Business

There are many steps involved in taking your product from an idea to reality. As a food processor, you will have specific obligations and responsibilities to operate your business in a safe and legal manner.

In this section you will learn:

- Different types of businesses (sole proprietorship, partnership, corporation)
- How to register your business and getting a business number
- About liability and Insurance
- How to prepare your strategic plan (vision, mission, values)

Different Types of Businesses

A business can be set up in many forms, including:

- Sole proprietorship (one owner)
- Partnership (two or more owners)
- Corporation (separate legal entity from the owner/s)
- Co-operative form of corporation
- Non-profit society

Most food businesses are usually incorporated businesses due to potential liability issues. It is not recommended to open a sole proprietorship for a food business. A tax lawyer or accountant can advise you on the best form for your business. You can find out more information about each type of business on the Canada Business Network website (http://www.canadabusiness.ca/eng/page/2853/).

Registering Your Business

It is a good idea to register a name for your business and obtain a business number during the early stages of your business.

When you register for a business number (BN) you would also be able to register for HST, income tax, payroll, and possibly import/export accounts. Registering a business early will help you understand the tax implications that can benefit your business.

You will find tips and direction for all of these steps on the Canada Business Network website (http://www.canadabusiness.ca/eng/page/2749/).

Liability and Insurance

You must have the right types and the right amount of insurance. You cannot afford to be under-insured. Even a small disaster could destroy a new business.

Without proper insurance, you could be held responsible for paying for damages, or replacing lost equipment and property. You could lose your own house, car, or other assets in order to make those payments.

You will need general insurance and as a food processor you will need coverage for *product liability* and *complete operations liability*. These types of insurance will protect you against claims by customers who experience damage or become ill from eating your food product.

Store owners may also demand that your product be properly insured, because they could be held liable for selling it.

Many types of insurance are available. An insurance agent or broker that understands the food industry can provide advice on what coverage you need.

Check the website for the Insurance Bureau of Canada to find more information on business insurance (http://www.ibc.ca/).

Where to Find an Agent

Talk to other people in the food processing business to get advice on which agent or broker to use. You can also find names by searching online. As a best practice, try to get more than one quote so you can compare prices. But do not choose on price alone.

Some insurance companies have special products just for certain business sectors. Make sure and do your research to ensure the insurance you choose is right for your business.

How to Manage Risk

Managing risk is very important as it helps you identify possible risks to your business and the necessary measures required to mitigate those risks. Download free publications such as Getting Started Managing Your Risk (http://assets.ibc.ca/Documents/Brochures/Managing-Your-Risk.pdf). See Section 4: Developing Your Product Prototype for information on how to protect your idea.

Strategic Planning (Vision, Mission, Values)

Providing strategic direction to your new business includes writing your business plan, but that's not the complete picture. You will also need a strategic plan that provides the "big picture" of where you want to go.

If you want people to support you, especially financial backers, you will need to have strategic and business plans that are thorough.

The main elements of your strategic plan are your vision, mission, and value statements.

There are many resources to help you write your statements. Brainstorm with your partners, experts or any mentors you may have.

Vision Statement

A vision statement defines the purpose of your business in terms of your values, not just what you do. It tells the world what you want your business to be. Your vision should mean something to clients, partners, and other stakeholders.

Some examples are:

- **Dr. Oetker's vision in Canada:**
  A market leading food company providing customers with the highest quality of innovative products and services driven by a dedicated team.
- **Maple Leaf Foods' vision:**
  To become the best consumer packaged meats business in the world.
- **Tim Hortons:**
  Our vision is to be the quality leader in everything we do.

Mission Statement

A mission statement defines what your business is, and why it exists. It should identify the products you make, who you serve, and describe the geographical area in which you operate.

Some examples:

- **Pepsico:**
  To be the world's premier consumer products company focused on convenient foods and beverages. We seek to produce financial rewards to investors as we provide opportunities for growth and enrichment to our employees, our business partners and the communities in which we operate. In everything we do, we strive for honesty, fairness and integrity.
- **Tim Hortons:**
  To deliver superior products and services for our guests and communities through leadership, innovation and partnerships.
- **Loblaws:**
  To be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices.
- **The Original Cakerie:**
  Passionately Creating Delicious Experiences.

Values

Corporate values (or core values) are the principles that guide your business' internal conduct as well as its relationship with your customers, partners, and shareholders. They are the deeply held beliefs and highest priorities that drive your actions.

Some examples:

- **Pepsico:**
  Delivering sustained growth through empowered people acting with responsibility and building trust.
- **The Original Cakerie:**
  Accountability, teamwork, integrity, continuous improvement, passion & drive, and customer service.

As you launch your business, refer to your strategic and business plans regularly. Keep them updated, and share them with the people involved in your business.

CHECKLIST

- ➤ I have considered the various forms of business ownership (sole proprietorship, corporations, etc.), consulted with a tax lawyer and an accountant, and have chosen the form that works best for my business.
- ➤ If necessary, I have drawn up any partnership, shareholder, or other corporate agreements with legal advice.
- ➤ I have chosen a name for my business and have researched it to ensure it can be registered and incorporated (if necessary).
- ➤ I have applied for my Business Number.
- ➤ I have met and obtained quotes from several insurance agents/brokers.
- ➤ I have researched the products and services offered and selected the insurance that is right for my business.
- ➤ I have product liability insurance and can demonstrate that I am adequately insured.
- ➤ I have written vision, mission, and values statements for my business.

SECTION 3:

Financing Your Food and Beverage Business

You will need capital to start or grow your food and beverage business. You may need money to buy or rent equipment and space, produce sample products and test them, and hire your first employees. And you'll need to do all this before making your first sale.

In this section you will learn:

- The two basic types of financing
- Key information you need to prepare to get financing
- Where to find funding sources

The Two Basic Types of Financing

1. Debt

Debt financing is similar to getting a personal loan. You go to your bank or other financial institution, tell them how much money your business needs, agree to a rate of interest and repayment terms, and if you are approved, you get the loan. Once the loan is repaid, the lender has no more claims against your business. In addition, the interest paid on debt is most often a business expense for tax purposes, and for this reason the cost of debt financing is lower when considered on an after-tax basis.

2. Equity

Equity financing is sometimes the only option available to a business venture. A business may be experiencing a high degree of financial risk due to high debt leverage, or simply not have sufficient profitable history to interest debt financing sources.

Equity financing is typically offered by venture capitalists and other angel investors. They lend you money in return for becoming a part owner of your business, either temporarily or permanently. There are pros and cons to this. On the one hand, they will have a say in the decision making. On the other hand, they may be able to provide advice and expertise that will help your business succeed.

Another benefit of equity financing is that the repayment terms can be more flexible than debt financing. It is important to know, however, that an equity financer is looking for a return on investment, not just repayment of a loan plus interest. You may end up paying back more in equity financing than you would have through debt financing.

You may need to get financing from several different sources to meet your needs. Family and friends are potential sources of financing.

A Good Business Plan Can Help You Get Financing

One way you can make it easier to get the financing you need is to have complete, solid, and verifiable information about your current financial position and your future prospects, such as current sales or contracts. In other words, you should have a solid business plan. If you have not started your business plan yet, check out Section 1: Starting Your Business with a Plan and Support for more information about business planning and links to business plan templates.

Key Information to Prepare for Financing

There are several sources of funding for food businesses in Canada, such as chartered banks and government financial institutions. Each institution will have their preferences for the type of business and their reasons for financing, with different costs involved.

Here are key pieces of information required by financial institutions. Much of this will come from your business plan.

1. Business Focus

This is a short description of your business and should answer these questions:

- What does your business do?
- How will you be successful?
- What is your vision and mission?

2. Purpose of the Financing

Be realistic about the amount of financing you need and how much your business will be worth. Consider the following questions:

- Why do you need financing?
- How much do you need?
- What results will this achieve?

Sources of financing beyond the banks will want to know your plan for the money before they agree to finance. This is because some of them specialize in certain business areas and will only finance within those areas. These areas include:

- Equipment purchase
- Purchase of land and buildings
- Inventory and receivable financing
- Restructuring
- Construction financing
- Trade financing
- Growth financing
- Mergers and acquisitions
- Leveraged buy-outs
- Management buy-outs

3. Current Financial Position

- What is the value of your business?
- What is the current financial situation of your business?
- Are you making any profit?
- Do you have outstanding debts? What are your assets?

Make sure your answers are accurate. Demonstrate that you can pay the money back or can generate a return for investors.

4. Financial History

If your business is not new, outline your business history, including the financial history of the business. Lenders and investors want to know that your business is financially stable. Here are some questions to answer:

- How many years has the business been operating?
- Has the business been profitable?
- Has the business been growing?
- Has there been management turnover?

5. Management Team

Lenders and investors will want to know everything about your management team or advisory board. Answer these questions:

- Who are the key managers of your business?
- What skills and experience does the management team have?
- Does the management team have experience with the product your business is making?
- What are the weaknesses in the management team? How are you improving those areas?

6. Business Strategy and Plans

Your strategies and plans help lenders and investors gauge whether the business will be profitable in the future. You need to be able to quickly and clearly answer these questions:

- How is your business going to grow?
- What markets have you researched and what is your real potential in them?
- How will you manage cash flow?
- What are the key success factors for your business?

- Who are your key competitors?
- What makes your product better than theirs? (Your competitive advantage)
- Who would want to buy it? How much are they willing to pay for it?
- How do you expect your competitors to respond?
- Is the market for your product growing and by how much?
- Is your new product replacing another one?
- How will you get the word out about your new product?
- Are you planning to expand your markets? Product lines? Distribution networks? How are you going to do this?

7. Profit Potential

- How much profit could your business make in the future? Be realistic and do not inflate this figure! Be able to back it up.

8. Business Risk

Every business faces risks whether it is starting up or growing. Be realistic about the risks your research has revealed and spell out how you plan to overcome them. Consider conducting a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) which is a framework that can help you understand your strengths and weaknesses and identify opportunities open to you and the threats you may face. The internet has a wealth of information and templates that you can use to help you conduct a SWOT analysis.

Where to Find Funding Sources

Here are some places you can go to find financing for your business.

Chartered Banks

Major Banks in Canada	Website
Royal Bank of Canada (RBC)	www.rbc.com
TD Bank Group	www.td.com
Scotia Bank	www.scotiabank.com
CIBC	www.cibc.com
BMO Bank of Montreal	www.bmo.com
National Bank	www.nbc.ca

You can find others at the Canadian Bankers Association website: www.cba.ca

Some branches of chartered banks in Canada may have specialists that deal with food sector clients. Do your research before going in.

Government Financial Institutions

There are several primary federal government financial institutions that may be able to provide financing to your food processing business. Each has its own specific focus. You will need to research if any of these could meet your needs.

Government Financial Institutions	Website
Farm Credit Canada	www.fcc.ca
Business Development Bank of Canada	www.bdc.ca
Export Development Canada	www.edc.ca
Canadian Commercial Corporation	www.ccc.ca

Other Business Financing

There are lots of other places outside of banks and government that finance businesses. You will find these investors often have a specific type of business they like to invest in. Do your research to find the one that fits with your business.

There is no one single listing of business financing firms. You will need to spend some time sifting through various sources. Here are some lists that can be found online.

Other Business Financing	Website
Canadian Venture Capital Association	www.cvca.ca/membership/member-directory/
Canadian Financing and Leasing Association	www.cfla-acfl.ca/
National Angel Capital Organization	www.nacocanada.com/
Aboriginal Business Canada	www.aadnc-aandc.gc.ca/eng/1354798736570/1354798836012

You may also qualify for other government funding under various programs and initiatives.

Other Government Funding

There are business programs and services that help all sizes of manufacturers. Whether you are looking to expand into new markets, train and hire staff or invest in new equipment, you will find support that can help you meet your business needs.

Government programs are constantly changing. For the most up-to-date information, check the Canada Business Network about grants and financing (http://www.canadabusiness.ca/eng/page/2868//).

Some funding programs are especially of interest to food and beverage manufacturing companies. Check the Ministry of Agriculture, Food and Rural Affairs' food and beverage funding programs and support site for a list of relevant programs (http://www.omafra.gov.on.ca/english/food/industry/funding-prog-index.htm).

Take note that there may be limitations for qualifying. For example, fish processors may not be eligible for Agriculture and Agri-Food Canada (AAFC) programs.

A Final Word about Financing

It is vitally important for the survival of your business to have sufficient working capital on hand at all times. You need cash to make purchases, pay staff, and keep operating. You also need cash to cover unexpected expenses that may pop up.

Getting financing can take a long time. If you wait too long to start the process, you can find yourself in trouble. Many businesses fail because they did not keep an eye on the cash flow and waited too long to go for financing.

You and your business management team (if you have one) should look at your finances on a regular basis.

CHECKLIST

- I understand the key information that should be in my company's financial reports.
- I understand what my working capital needs are for the day-to-day operations of my company.
- I have secured accounting and/or bookkeeping support for my company.
- I have a financial plan for my company.
- I have identified what financing my company needs.
- I have looked at sources of financing available.
- I have prepared an action plan to raise financing – and alternatives should it fail.

SECTION 4:

Developing Your Product Prototype

To begin developing your product, you will need to build a test version or prototype of your product including appropriate packaging.

In this section you will learn:

- How to prepare for prototype testing
- About prototype testing
- The requirements that go into product specification documents
- How to protect your idea

Preparing for Prototype Testing

Product Description

Your first step is to write a clear description of your product. This should include:

- A general description of the product
- Sensory properties (e.g., taste and smell)
- Ingredients (including food allergens)
- Texture
- Shelf life
- Packaging

Your product may need to meet specific regulations (see Section 4.5: Food Safety Regulations and Other Government Regulations) and may require you to make changes to be compliant.

What is it going to cost you to make this product? You will find out the exact cost per unit when you do your test production, but you should understand your theoretical ingredient, packaging and manufacturing costs to see if this idea is economically feasible (see Section 4.1: Manufacturing Your Product to learn about Product Costing Models).

Goal of Prototype Testing

Your goal here is to develop a recipe and a process that results in all the properties you described for your product. You will do this by actually making the product on a small scale, then testing it with a view to develop into a full-scale production.

Things to watch for in this step:

- A simple homemade recipe may not work in a commercial-sized batch. Some ingredients may not behave the same way, or will be too expensive. Be prepared to change.
- What manufacturing method works best? Try different processes to see how they change the end product.
- What type of packaging works best? Test several samples to ensure they seal correctly and stand up to handling (see Section 4.6: Food Packaging and Labelling).
- How does your product work in typical-use situations? How will it hold up in shipping and storage? What happens to it when it is frozen, chilled, and cooked?
- What is the cost-per-unit of your product, and how much will you need to charge for it so you can make a profit? Go back to your business plan; does your research reveal how much consumers are willing to spend on a product like yours? See Section 5.2: Pricing Your Product for information on tracking costs per unit.

Potential Tax Credits

Keep track of all the costs and expenses you pay to develop and test your product. Many of these may be eligible for tax credits or tax refunds, such as the Scientific Research and Experimental Development (SR&ED) tax incentive program (http://www.cra-arc.gc.ca/sred/).

Doing Your Prototype Testing

There are two main ways to do your prototype development:

- Do it all yourself by developing your own commercial recipe and renting or buying your own development facility
- Hire a product development facility that will do all the work for you

You may be able to develop your own prototype by experimenting with your home recipe in your own facility. Prototype development is usually done on a very small scale and it may require multiple "kitchen batches" and formulations before you get it right.

If and when you hire outside help, be very specific about what you want them to do so you pay only for what you need. Product development fees have been known to exceed $20,000. Check your business and financial plans; how much money did you allocate for product development? See Section 3: Financing Your Food and Beverage Business for information on financing options and funding to help develop your product.

Hiring a Product Development Facility

Product development facilities include laboratories, research stations, and pilot plants. These experts will take your home recipe, develop it into a commercial formula, and suggest which manufacturing method works best. Labs and testing services can analyze your product to check its nutrition content, conduct sensory testing to measure user acceptance and liking, evaluate different packaging and its effect on shelf life and more. Search the internet to find a product development lab, talk to your network contacts or see Appendix A for a list of potential labs.

Once you have decided to work with a product development facility, write up a contract with them that includes:

- Detailed project description and work outline
- Reporting procedures and time schedules
- Cost estimate and key milestones/ payment schedule
- Materials, supplies and services
- Special terms and conditions
- Work location
- Confidentiality (see Protecting Your Idea later in this section)

Testing the Competition

You can also evaluate and benchmark against your competitors' products so you will know their key ingredients, ingredient quantities, how their packaging works (including its costs) and more. You may not want to duplicate their product, but you may be able to learn some valuable lessons from them.

At the end of the prototype development and testing, you will have detailed product specification documents so that you are ready for scaled up production.

Product Specification Documents

During development and testing, you will have made changes to your recipe, process and packaging. You should also have addressed all regulatory concerns and gained any approvals required (see Section 4.5: Food Safety Regulations and Other Government Regulations).

All of these details will now be put together into product specification documents complete with the associated food safety certification plan. The product specification documents should include:

- Formulation document
- Procedure (or blending) document
- Specification document

The **formulation document** should be written with weights or measures and include:

- A list of ingredients and quantities together with unique codes for identification/traceability purposes of each ingredient as well as how ingredients should be grouped together to follow the logical blending or filling sequence
- A standard blending unit (e.g., 100 kg) can be easily scaled up to fit the blending equipment

The **Procedure Document** should outline how to actually make the product including:

- The exact blending/manufacturing sequence including any requirements (e.g., blanch to a pick-up of 1.8x the dry weight)
- Hygiene requirements of equipment prior to manufacture and packing
- Preprocess handling including heat treatments and the maximum down-time delays the product can safely withstand in case of line breakdowns or build ups
- Special manufacturing line prerequisites, such as the level of disinfection and pressure required in the water used in container washing, metal detection, sieving requirements for sauces and brines, in-process protocols for visual inspection of raw material defect levels, and container checks for seaming/sealing and manufacturing coding and, where applicable, labelling, and tray and shrink wrapping quality checks
- All container coding such as best before coding and stock control identification requirements
- Processing parameters, quality of steam and its treatments, time/temperature treatments
- Cooling water pressure/disinfection requirements. If the water is not from a municipal supply it should be checked for chemical and microbiological purity
- Labelling, tray and shrink wrapping marketing identification protocols
- Pallet selection and storage protocols
- Transportation handling requirements, especially key packaging components

The **Specification Document** should outline pre and post process requirements for your product including:

- Any health benefit claims your product makes along with validation by a recognized validation agency/auditor; these tests should be independently carried out and a record of them kept in the product specification documentation
- Quality checks including physical, chemical, microbiological, volumetric and organoleptic testing, and how often they should be done during the manufacturing process as well as the post (final) process product

Feasibility Testing

The next step is to scale up your formulation to test out your product in a commercial plant using your formula, procedure and specification documents. This requires running just enough product to test how the ingredients react, blend and/or fill using commercial equipment and under production requirements. This step can be expensive but is a necessary step before moving to full scale production. Lessons learned in feasibility testing can save you from expensive mistakes in full production.

A key step at the end of feasibility testing is to evaluate your product's shelf life and food safety. It may be important to use the expertise of a food testing laboratory to ensure this is done properly.

Protecting Your Idea

You put a lot of time, effort, and money into your product by this point so you do not want someone else to steal your idea.

The Canadian Intellectual Property Office (http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home) provides information on getting trademarks, patents, and copyright protections. Note that patents can be very expensive, and may not be worth the money, especially when a competitor can so easily change a process and claim to have a different product as a result.

You should also make all product development service providers (like your lab) sign a confidentiality agreement. This is a legally binding contract, where one or both of the parties agree that information exchanged between them will not be shared with outsiders.

A business lawyer can help draft a confidentiality agreement for you or review a template that a service provider may offer. Check the website for the Law Society of Upper Canada to find a business lawyer (http://www.lsuc.on.ca/with.aspx?id=905).

CHECKLIST

- I have written my product description.
- I have determined sources for my equipment and raw materials.
- I have decided if I need any assistance from a product development facility.
- I have established a set of criteria for choosing the product development facility and ensure it is appropriate for my product.
- (After testing) I have written my product specification document.
- I have an agreement of confidentiality for people to sign if I am sharing my idea with them.
- I have identified which parts of my process (if any) should have a patent.

Section 4.1: Manufacturing Your Product

By now you have your commercial recipe complete and your product specification documents finalized. You have tested your packaging and are aware that your product will still have to meet specific regulations (see Section 4.5 Food Safety Regulations and Other Government Regulations).

Now you are ready to start commercial production.

In this section you will learn about:

- Product costing models
- Co-packing
- Setting up your own manufacturing facility
- Finding the right equipment
- Managing inventory

Product Costing Models

The ability to accurately measure the total cost of making your product is crucial. To do this you can use a "Product Costing Model" which can help you calculate all the variable costs associated with making your product.

Your product costing model can become more complex as your business grows. You can use a simple product costing model (see example below), or download OMAFRA'S On-Farm Processing Recipe Based Costing Tool (http://www.omafra.gov.on.ca/english/busdev/directfarmmkt/index.html). This tool allows you to analyze the impact of changes in recipe, ingredient costs or packaging size on product margin.

A simple product costing model helps you calculate the Direct Unit Cost per jar, package or case of your product and includes the sum of all other costs (labour, ingredients, procurement, utilities, equipment, space, packaging, waste management, financing production). Strawberry jam is used in the example below:

- **Labour per Unit**
  - Assign a cost to your labour per unit even if you are using "free" labour. The minimum wage in Ontario (2015) is $11.00/hour. Statutory costs (WSIB, CPP, EI, Vacation Pay and housing (where applicable) can add another 18% to that cost, so the minimum labour cost is $12.98 per hour.

– If it takes 4 hours to prepare, assemble, package and clean up, using 3 workers to make 500 units, the minimum labour cost would be:

  (($12.98 x 4 hours) x 3 workers) ÷ 500 units
  = (51.92 x 3) = $155.76 ÷ 500
  Labour cost = $0.31 per unit

- **Procurement**
  – As a small business it is common to use your personal vehicle and time to purchase and pick up ingredients and packaging. Assume it took 1 hour to drive and purchase ingredients and packaging. The cost then includes 1 hour labour ($12.98) plus a travel charge for kilometers on the vehicle (50 kilometers valued at $0.50 per kilometer).

  (($12.98 + (50 x $0.50)) ÷ 500 units
  = ($12.98 + $25) ÷ 500 units = $37.98 ÷ 500
  Procurement cost = $0.08 per unit
  (600 jars were bought but at this scale, the variance is less than a half of a cent so it is overlooked)

- **Ingredients per Unit**
  – Add up all the ingredients used to make your jam
  – 250 litres of strawberries at $0.75 per litre, 50 kilos of sugar at $2/kilo and 2kg pectin at $10/kg. The unit cost would then be:

  ((250L x $0.75/L) + (50kilos x $2.00) + (2kg x $10/kg)) ÷ 500 units
  = ($187.50 + $100 + $20) ÷ 500 units
  = $307.50 ÷ 500 units
  Ingredient cost = $0.62 per unit

- **Utilities per Unit**
  – You leased a municipally-inspected kitchen from a local service club or faith community and therefore not charged for utilities, so the cost per unit is treated as "0". In this case, utilities become an "invisible" cost. When a facility includes separate charges for water, sewer, electricity and natural gas or propane; they must be calculated. Utilities are a major direct source of Greenhouse Gas emissions from manufacturing.
  – If we assume that the 4 hours of production time to make 500 units is 1/40th of a month (a month being 20 working days), we can then estimate the impact of utilities on the cost of making a product.
  – The formula would then be 1/40th of the cost of each monthly bill

  ((water ÷ 40) + (sewer ÷ 40) + (electricity ÷ 40) + natural gas ÷ 40)) ÷ 500
  ((0 ÷ 40) + (0 ÷ 40) + (0 ÷40) + (0 ÷ 40)) ÷ 500
  = 0 ÷ 500
  Utilities cost = $0.00 per unit

- **Equipment costs per Unit**
  – You purchased $245.00 worth of canning equipment. In order to calculate the contribution of this investment per unit of production you need to estimate the number of units you expect to make in a year. Assume you expect to make 3,000 units of jam. Because this is small equipment that can be depreciated in the year of purchase, the equation is as follows:

  $245.00 ÷ 3000 units
  Equipment cost = $0.08 per unit

- **Space costs**
  - You rented a municipally-inspected kitchen for $40.00 per hour for four hours. The cost for this batch is as follows:

    ($40.00/hour x 4 hours) ÷ 500 units
    = $160.00 ÷ 500 units
    Space cost = $0.32 per unit

- **Packaging and labels costs**
  - You bought 600 jars/lids at $1.12 per unit and 600 labels at $0.24 each.
  - During the process, 32 jars were broken prior to labelling and an additional 4 were lost after labelling.
  - There were 16 defective labels.
  - To calculate the unit cost of packaging it is important to include lost packaging. However, left over packaging that will be used in the future must not be calculated in the cost. In this case the batch used 536 jars and lids at $1.22 and 520 labels at $0.24.

    (($1.22 x 536) + ($0.24 x 520)) ÷ 500 units
    = (653.92 + $124.80) ÷ 500 = $778.72 ÷ 500
    Packaging and labels cost = $1.56 per unit

- **Waste Management cost**
  - Waste management is the cost of managing waste that arises from making a product. It is a cost that needs to be calculated in order to avoid it becoming "invisible". The costs involved include labour, tipping fees and vehicle use. This example assumes you take waste plastic overwrap from containers, waste containers and broken glass to the local dump which takes 1 hour and is a 50 kilometer round trip. The local tipping fee for less than 1000 kilograms is $4.00.
  - The formula is 1 hour of labour + a kilometer charge + tipping fees.

    ($12.98 + (50 km x $0.50/km) + $4.00)
    ÷ 500 units
    = ($12.98 + $25.00 +$4.00) ÷ 500
    = $41.98 ÷ 500
    Waste management cost = $0.08 per unit

- **Financing cost**
  - It costs money to run a business. Even a micro-business may start with a loan. It is prudent to calculate the cost of borrowing in your product costing model. As a rule of thumb, make this calculation on a yearly basis. Assume you borrow money for a year and sell all of your product over that year. An average rate of disappearance would mean that you hold inventory, on average, for half of a year.
  - For this example, assume that you borrowed $2,000 from a private source for a year at 8 percent interest, which is $160.00 per year. To calculate the cost of making these 500 units, we add up all the costs and multiply by 4 percent, which is the interest cost of the portion of the loan used over six months.
  - This formula is the sum cost of ((Labour + Procurement + Ingredients + Utilities + Equipment + Space + Packaging + Waste Management) x 0.04) ÷ 500 = Finance cost per unit

    $155.76 + $37.98 + $307.50 + $0.00 + $40.00 + $160.00+ $778.72 + $41.98) x 0.04) ÷ 500
    = ($1521.94x 0.04) ÷ 500 = $60.88÷ 500
    Financing cost = $0.12 per unit

For illustrative purposes, these figures are summarized in Table 1 below. A selling price per unit of $9.00 is used.

TABLE 1: A SAMPLE PRODUCT COSTING MODEL
(Number of Units – 500)

Name of cost	Cost incurred	Unit cost	Notes
Labour	$155.76	$0.31	Make sure you include “free labour”
Procurement Expenses	$37.98	$0.08	May include the cost of labour and transportation to pick up ingredients
Ingredient Cost	$307.50	$0.62	Make sure all ingredients are included
Utilities	$0.00	$0.00	Assuming utilities were included in the space calculation
Equipment	$40.00	$0.08	Assuming the processor expects to make 3000 jars over the depreciation period
Space	$160.00	$0.32	Includes rental of production facility
Packaging and Labels	$778.72	$1.56	Make sure to factor in broken or damaged packaging. Also do not include packaging that will be used for a future batch
Waste	$41.98	$0.08	Very important cost to consider – most small businesses forget about their waste cost
Financing Cost	$60.88	$0.12	Borrowing money to finance your business costs you money and will ultimately affect the final cost of your product
Total Cost	$1582.82	$3.17	Review the math and check it twice. In the first year of processing, do a costing model for each batch until you get a consistent cost.

Name of cost	Cost incurred	Unit cost	Notes
Selling Price	**$4,500.00**	**$9.00**	Total cost incurred divided by number of units
Gross Profit	**$2917.18**	**$5.83**	Selling Price minus Total Cost
Gross Margin	N/A	**64.8 %**	Selling Price divided by Gross Profit It is important to make these calculations on the individual unit for pricing and gross margin calculations.

This tool allows you to identify accurate ingredient costs, track labour and utility impacts, and identify a Gross Margin. It is important to do a product costing model on each production run, for every product until you get to a consistent cost. You should also conduct this exercise monthly and adjust for input cost changes as the business grows.

A product costing model does not include:

- The cost of promotions or promotional materials
- labour and management cost of sales and marketing
- Bad debts
- The cost of purchasing a business
- Licensing and franchise costs
- Administrative and sales office costs
- The cost of shipping finished goods.

These costs are paid out of Gross Margin. As your business grows, many companies find it useful to undertake Activity Based Costing for these items when Gross Margin exceeds $1 million.

Co-Packing Your Product

A co-packer, or contract manufacturer, is an established food manufacturer that processes and packages your product according to your specifications within their facility. A co-packer may not be right for you in the early stages of production as their requirements and expectations may be too much for a small business to handle.

If you decide to use a co-packer, choose carefully and implement a program that makes certain your co-packer is processing and packaging the product according to your specifications. You may not manufacture the product, but you are responsible for it, so monitor your co-packer to ensure your product and process meet your standards.

Advantages to Co-packing

There are definite advantages to co-packing. For example:

- You get a consistent product cost
- You do not need to invest in facilities and full production equipment

- You get the benefit of their manufacturing expertise
- You can use their production personnel who are already trained
- Start-up time is reduced
- It will be the co-packer's responsibility to maintain the plant and keep the equipment up-to-date
- You will have ongoing technical support from their personnel
- You can manufacture at a pace that matches your market's needs
- There is no time commitment on your part; you can focus on other aspects of your business

Disadvantages to Co-packing

There are also some drawbacks to using a co-packer. Make sure your contract covers issues such as these:

- Product quality, safety, and delivery
- Protection of your product formula
- Cost agreement
- Minimum orders
- What, if any, tolerances you have for deviations from your product specification document (see Section 4: Developing Your Product Prototype).

Remember: you will not be present for every production run. Hence the reason you must have trust and confidence in your co-packer, as well as a strong quality-control program that will detect any issues.

Where to Look for Co-packers

Ask your network of food industry insiders for their recommendations on co-packers. Contact also food industry associations for their recommendations (http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/associations.htm).

The Ontario Ministry of Agriculture, Food and Rural Affairs can help to identify a co-packer that meets your manufacturing requirements. Submit the online inquiry form (http://www.omafra.gov.on.ca/english/food/industry/bdb-start/co-pack-form.htm) and ministry staff will supply a list of co-packers that may be able suitable for your needs.

Establishing Your Criteria for a Co-packer

Before you contact potential co-packers, you need to define your specific needs. Some things you should consider include:

- Their level of certification or the standards they operate under
- The price you are willing to pay for their services
- The quality that must be maintained
- The volume you need produced
- Distribution and delivery methods required
- Your level of involvement in manufacturing
- The timing of your needs
- The availability of warehousing
- Any specialization required e.g., canning equipment (see more information later in this section in Finding the Right Equipment).

You may not find the perfect facility to co-pack your product. Make a list of your most important objectives then determine which co-packer best suits your needs.

Selecting a Co-packer

Now that you have a list of potential co-packers, and know what specific needs they must meet, you are ready to start the screening process.

Schedule a tour of each potential plant to get a good idea of their processing line set-up, general up-keep, sanitation, product loss factors, quality monitoring systems etc.

Ask the potential co-packer for:

- References from other clients
- Copies of federal and provincial processing licenses (if applicable)
- Any other certifications (if required), e.g., certified organic, kosher, halal, etc.
- Copies of previous quality control inspections

Before you tell the potential co-packer too much about your product, formulas, and processes, get them to sign a non-disclosure or confidentiality agreement.

As a condition of your final selection, tour their facility. A plant where staff are friendly and greet you is as important as a clean and organized facility. You also want to have the co-packer do a test run for quality and costs. Plan to be there for the test run so you can deal with any issues that come up. Remember to have the co-packer sign a confidentiality agreement before the test run.

When dealing with a co-packer, consider their openness, enthusiasm, and corporate goals in addition to their ability to produce your product. You want to make sure you are getting into a good business relationship. See Checklist of Questions to ask a Co-Packer at the end of this section.

Co-packing Costs and Gross Margin

After the test run, the co-packer will give you a breakdown of the fixed and variable costs of producing your product in their plant. Make this part of your agreement. This is your product costing model from which you will derive your gross margin. As a general rule of thumb, if you were targeting for a 40 per cent gross margin before you used a co-packer, you can expect to target for a 25 per cent gross margin when someone else packs your product.

Generally, if you can offer the co-packer high volumes or long-term business, you will be able to negotiate a better agreement.

Now go back to your business plan. What is the maximum retail price consumers are willing to pay for your product? Do this calculation below to determine if you can afford this co-packer:

- $ (Retail price of your product) – 40% (retail mark-up) = $A
- $A (answer from above) – 20% (distributors' mark-up) = $B
- $B (answer from above) – co-packer's price = your gross margin. Does this number match your business plan goal? If not, you may need to find another co-packer.

Learn more about pricing in Section 5.2: Pricing Your Product.

What If There Is No Local Co-packer?

Some food processors with specialized products may not find a local co-packer. Options for such a case include going out of province/country (special permits may be required) or setting up your own facility. Remember to consider all additional costs.

CHECKLIST OF QUESTIONS TO ASK A CO-PACKER

- Will you sign a confidentiality agreement?
- Can you develop more than 1 costing option to produce my product?
- What is your minimum production run?
- What is the frequency of runs and is there a lead time?
- What type of packaging can your machinery handle e.g., glass, plastic, cartons?
- Can my labels run on your machinery?
- Will you purchase and manage my ingredients and packaging inventories?
- Do you already own equipment that can be used to produce my product?
- How will you handle "emergency" product demands?
- What program do you have in place for quality assurance?
- What certifications does your facility have?
- Do you co-pack similar products to mine?

Setting-up your Manufacturing Facility

If you decide to operate your own plant, you can either lease or purchase an existing building, or you can construct a new one. Do your research into how much it will cost to renovate an existing building versus building a new one just for your needs.

These four factors will also influence your decision to build or buy/lease:

1. Location
2. Zoning laws
3. Food plant design
4. Renovations (existing building)

1. The Location

You know the old saying, "Only three things matter in real estate: location, location, location." This also applies to setting up your plant.

Make sure you consider:

- The cost to lease or own the building or building lot
- How close it is to your customers and market
- Whether a workforce is nearby
- How close it is to your raw material supply
- Ease of trucking and freight access (it may be worth paying a little extra if it will save you a lot in shipping costs)

2. Zoning

Be sure to check the zoning by-laws for the location you have selected. Call the city planning department to find out if your business can obtain a permit to operate there (see Municipal Regulations in Section 4.5: Food Safety Regulations and Other Government Regulations).

If the area you have chosen is not zoned for business, you can apply for a re-zoning vote before municipal council. Be prepared, your application may not be approved based on the land-use policy for that area.

Contact the planning department of your municipal office for more information.

3. Food Plant Design

Naturally, you will want your plant to operate as efficiently and cost-effectively as possible. You also have to meet all the federal, provincial, and municipal requirements. Here are some other things to consider about your plant's design:

- General rule: 1,000 square feet for $100,000 in sales, 2,000 square feet for $200,000 in sales and so on.
- Your bank may require a phase one environmental assessment if you are buying a site, leasing or changing the use of an existing facility. You can get help from a certified environmental consultant.
- Taking over an existing building? Ask for proof that it was used for food processing. This may help you meet your food safety standards (see Section 4.4: Food Safety).
- Make sure the facility you are considering has space for the equipment required to produce your products e.g., a cooler, freezer, ovens.
- Make a list of any necessary repairs and ensure that any new construction meets the requirements defined by the regulations.
- Know your energy consumption and have an expert on your management team manage it. See below for more information about energy monitoring and targeting.
- Design your production line to work in the most efficient manner. Talk to a manufacturing consultant for the most efficient design.
- Consider the ergonomics. If possible, use rolling conveyors, for less walking, lifting, and turning. This will contribute to the health and safety of your employees.
- Have two doors: one for shipping and one for receiving. This will help avoid potential for cross contamination.
- Make sure your plant has floor drains, washable walls, suitable hand-washing facilities, washrooms that do not open onto the production floor, a change room, and a separate area for storing packaging goods, ingredients and finished goods. These should all conform to the certification stipulations by the Canadian Food Inspection Agency.
- Think of the future. Can your business expand in this space?

Energy Monitoring and Targeting

Energy monitoring and targeting (M&T) systems are designed to manage and reduce energy costs. They provide essential feedback so you can set an accurate budget for what production will cost in terms of your energy use. They also make your business more environmentally sustainable by reducing greenhouse gas emissions (see Implementing Sustainability and CSR Programs in Section 8).

M&T systems will:

- Identify and explain increases or decreases in energy use
- Establish trends for your energy use (daily, weekly, seasonal, operational)
- Allow you to forecast energy use when planning business changes
- Identify where energy is being wasted
- Monitor how your business reacts to changes
- Develop performance targets for energy management programs
- Link the rate of energy use to improvements and/or setbacks in your environmental performance
- Improve operating equipment efficiency
- Give you control over your energy consumption

4. Renovation (or Retrofit) Required in an Existing Building

If you are considering using an existing building, find out if it was originally designed for food processing. If so, it may already be registered federally (for export markets) or provincially (for provincial markets) which can save you some work. Are you leasing? Sometimes the owner will pay for the renovations you need to make the building suit your needs. Make that part of your leasing negotiations.

NOTE: Whether you set up your own facility or choose a co-packer, you may need to find specialized equipment. See below to learn more.

Finding the Right Equipment

During the product development phase, you identified what type of equipment you need to manufacture your product. Now you need to find a source for this equipment. Even if you choose a co-packer, you may need to supply some of your own equipment, especially if your production requires a specialized step such as canning.

It is important to use the same type of equipment you used in your product development, although it may need to be a larger version capable of handling production-scale volumes. Any change in the way you manufacture your product could have an impact on its consistency, food safety and cost.

Go back and ask your product developer where they bought their equipment.

Talk to other food processors you met through industry associations and supplier trade shows. Trade shows are discussed further in Section 5: Marketing of this guide.

You can check these online resources:

- Packaging Consortium (http://www.pac.ca/index.html)
- ThomasNet.com (http://www.thomasnet.com/)

Inventory Management

You can see, count and weigh your inventory. It includes all the raw ingredients and materials you have on hand for manufacturing, works in progress and your finished products.

Your inventory is worth a lot of money. Now you must manage it carefully so you make the maximum amount of money from it. Any amount of inventory that is wasted or lost is the same as lost money. As a small business, you cannot afford those losses.

Managing inventory is a balancing act.

On the one hand, you need to have product available for customers to buy. If you do not have enough, you could lose a sale.

On the other hand, too much inventory can hurt your cash flow. The money you spent on that inventory could have been in the bank earning interest, or used for other business needs. You also run the risk of your product expiring which is money wasted.

The costs of inventory are called *holding costs*. These include all your ingredients and raw materials, as well as the costs of storage facilities, insurance on your ingredients and materials, loss, breakage, spoilage, equipment break down and the interest on capital you could have gained if the money was not tied up in inventory.

In order to properly manage your inventory you must:

- Keep an adequate supply of product for customers – do not overproduce, this will help you keep costs low
- Use up your inventory, while maintaining adequate profits
- Keep raw material stocks low – volume purchases are usually discounted

One of the simplest management inventory systems is called *ABC Analysis*.

ABC Analysis

ABC analysis allows you to identify the products in your inventory that have a high influence on your inventory costs. This way you can focus on the most critical items. It can also help you identify categories of inventory that require tighter security or special care in storage. It can even help you determine how to physically stock your inventory, so items accessed most frequently are closer at hand.

ABC analysis follows the 80/20 rule: 80 per cent of a company's total inventory cost is caused by only 20 per cent of all items.

In ABC analysis, you divide stock items into three classes: A, B and C. That is, those items accounting for 80, 15, and 5 per cent of your total inventory costs. Once you can divide your stock into these classes, you can control the stock.

A computer program can help you code your stock into the three classes. Or you can do it yourself by following these steps:

- Determine the value of each item by multiplying its cost times the number of units sold
- Rank all those items by dollar value in ascending order (lowest to highest)
- Calculate the percentage of dollar value of each item (total all the dollar values, divide each item by the total and then multiply by 100)
- Determine the cumulative percentage for: 1) the number of items and 2) the dollar volume based on the totals for A and B
- Classify the items according to A, B and C groupings

You can find many examples of ABC analysis and how it applies to inventory storage online by doing a search of ABC analysis or the ABC method.

Just-in-Time (JIT)

Another method of controlling stock is Just-In-Time (JIT). This means carrying a minimum amount of inventory and buying only as needed or against orders in hand. That way you deliver product *just in time*.

In order to make JIT work for you, you need to work very closely with your suppliers and customers. You need to know you can get ingredients exactly when you need them so you can meet a customer's request. And you need to know you can deliver. Don't forget to build in time for delivery, logistics, clearing customs, etc.

Product Returns

Sometimes products get returned because they became expired, spoiled or contaminated. Returns are bad for profits.

You can keep returns to a minimum by making sure your product maintains its highest possible quality once it leaves your plant.

Many companies do this by:

- Using packaging that protects and prevents the product from contamination
- Making sure that everyone who handles the product knows how to properly store and transport it
- Developing clear inventory control procedures
- Using a special code on the package that identifies the exact date the food was produced and even the exact machine or production run
- Using systems that will tell you if the temperature was not maintained correctly during distribution

Sometimes customers will return a product because they feel something is wrong with it, even when nothing really is. Many companies will take the product back because they want to keep good customer relations.

You need to research and keep records of the complaints you receive. It may reveal problem trends in your production or distribution that you need to correct (See What is a Food Safety Program in Section 4.4 to learn more about Good Manufacturing Practices).

Product Specifications

Specification sheets are an essential part of a quality product. They are used for:

- Standard procedures
- Raw material specifications
- Finished product standards
- Daily formulation records
- Product inspection reports

Dealing with Product that is Off-specification

The specification documents you developed are used to ensure that the product leaving the processing plant is of the required quality. These documents contain detailed specifications about packaging, storing, cooking, ingredients, physical appearance, and batch processing (see Product Specification Documents in Section 4).

You might think that options for dealing with product that is off-specification might include:

- Reprocessing the material
- Selling the material to a processor of animal feed
- Disposing of the substandard material
- Donating the material to charitable organizations
- Blending the off-grade material with subsequent batches

Yet there are challenges to each of these methods. Donated foods generally must meet the same labelling and health and safety standards as foods sold to the general public. Blending and reworking food makes it harder to track batches. Animal feed processors require high quality products and disposal costs of waste can be substantial. The best way to avoid product that is off-specification is to take the appropriate precautions to prevent the problem in the first place.

CHECKLIST

- I have assessed the benefits of co-packing versus setting up my own manufacturing facility.
- I have chosen a co-packer and done a test run.
- The co-packer has signed a confidentiality agreement.
- I have carefully selected a location based on knowledge of zoning regulations.
- I assessed the food plant design for efficiency and for the health and safety of the staff.
- I have set up an inventory management system.
- I know my energy consumption and have an expert on my management team in charge of managing it.
- I have identified any specialized equipment needed.
- I have determined a method for managing my inventory.

Section 4.2: Ingredients and Supplies

Your ingredients and supplies have a direct impact on food safety and quality assurance. The person responsible for buying these supplies must do so with security and safety constantly in mind. Either take on this role yourself, or designate it to a staff member who understands its importance.

You may want to develop your own expertise about ingredients and how to best use them. Several courses are available in food sciences from Ontario universities and colleges. You may want to consider taking a course, or contacting an academic institution for expert advice.

When buying supplies, keep your product specification documents readily available (see Section 4: Developing Your Product Prototype). Keep track of the lessons learned regarding the ingredients used in your prototype testing. Think also about the cost of the goods over their whole life cycle and decide on the best value for your use. Develop a process for accepting deliveries: once the product arrives, cross check it against the invoice to determine any discrepancies between what you ordered and what you got, then decide whether to accept it or not.

The Supply Chain Management Association (http://www.scmanational.ca/) provides training on supply chain management, and certification for you and your staff, along with a variety of examples of legal clauses in purchasing orders and agreements.

In this section you will learn:

- Where to buy ingredients and supplies
- How to get ingredient certification
- About supply management systems

Where to Buy Ingredients and Supplies

Your product development process revealed the exact ingredients and amounts you need to reproduce your recipe safely, consistently, and cost effectively.

Ideally, you should use the exact ingredients used in the product development process, although this may not always be possible. As the amount of product you need to produce changes you may need to search out acceptable substitutions. Finding where you can buy those ingredients will depend on the quantities and the unique qualities of the ingredients.

If you plan to start with using small amounts, your local store may be the place to go. For slightly larger amounts, a restaurant distributor may be a logical choice. They may also have restaurant equipment suitable for smaller processing operations.

For larger quantities, contact the company that helped create your final recipe and product specification documents. Ask what sources they used for ingredients and raw materials.

The Food in Canada Buyers Guide (http://www.foodincanada.com/buyers-guide) allows you to search for suppliers by company name or product category such as:

- Ingredients and additives
- Processing machinery and equipment
- Packaging machinery
- Equipment and supplies
- Logistics and transportation
- Consulting services
- Health and safety equipment and suppliers

If your ingredient is covered by a regulated supply management system, check with that ingredient's appropriate marketing board for suppliers. Learn more about supply management systems and find links to the appropriate boards later in this section (See next page for Supply Management Systems).

Another place to check is Industry Canada's Canadian Company Capabilities website (https://www.ic.gc.ca/eic/site/ccc-rec.nsf/eng/home). The database profiles tens of thousands of Canadian companies and is used by companies all over the world to find ingredient suppliers in Canada.

Trade publications, trade directories and trade shows are good resources to help you find what you need. Finally, use your network of other food processors.

Ingredient Certification

Make sure all the ingredients you use meet the applicable regulations and food safety standards for your product.

Also, ensure all ingredients meet certifications if your product is:

- Halal*
- Kosher
- Organic
- Sustainable

*See the Regulations Amending the Food and Drug Regulations for Halal food (Labelling Regulations for Halal Foods http://www.gazette.gc.ca/rp-pr/p2/2014/2014-04-23/html/sor-dors76-eng.php).

Find out more about how to get these certifications by searching the internet.

Imports

You can import products from other countries for processing. For more information, see Section 4.5: Food Safety Regulations and Other Government Regulations.

Supply Management Systems

Some agricultural products operate under supply management systems. These systems aim to balance supply and demand so farmers do not produce more product than is needed at any given time.

If the product you are making needs an ingredient covered by a supply management system, you will need to check with the commission, council or marketing board that covers that product.

Dairy

All unpasteurized milk in Ontario must be purchased from Dairy Farmers of Ontario (DFO). The DFO in accordance with the "Milk Act" is the sole legal purchaser from the producers and seller to the processors of unpasteurized milk.

Milk Act – Ontario Regulation 761 outlines a number of the requirements associated with the production and processing of cows' milk in Ontario. DFO may only sell unpasteurized cows' milk to a company or dairy processor that has been licenced by the Ontario Ministry of Agriculture, Food and Rural Affairs (http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900761_e.htm).

Dairy Farmers of Ontario
6780 Campobello Road
Mississauga, Ontario L5N 2L8
Tel: 905-821-8970
Email: questions@milk.org
www.milk.org

Canadian Dairy Commission
Building 55, NCC Driveway
Central Experimental Farm
960 Carling Avenue
Ottawa, Ontario K1A 0Z2
Tel: 613-792-2057
Email: cdc-ccl@agr.gc.ca
http://www.cdc-ccl.gc.ca/CDC/index-eng.php

Other Products

Supplies of many other farm products are also controlled so that Canada's needs are met effectively. The following is a list of agencies you should contact if you are planning to use any of these products:

Canadian Egg Hatching Producers
21 Florence Street
Ottawa, Ontario K2P 0W6
Tel: 613-232-3023
Email: info@chep-poic.ca
http://www.chep-poic.ca/

Egg Farmers of Canada
21 Florence Street
Ottawa, Ontario K2P 0W6
Tel: 613-238-2514
Email: info@canadaegg.ca
www.eggs.ca

Turkey Farmers of Canada
7145 West Credit Avenue
Building # 1 Suite # 202
Mississauga, Ontario L5N 6J7
Tel: 905-812-3140
Email: info@tfc-edc.ca
www.turkeyfarmersofcanada.ca

Chicken Farmers of Canada
350 Sparks Street, Suite 1007
Ottawa, Ontario K1R 7S8
Tel: 613-241-2800
Email: cfc@chicken.ca
www.chicken.ca

Farm Products Council of Canada
Central Experimental Farm
960 Carling Avenue, Building 59
Ottawa, Ontario K1A 0C6
Tel: 613-759-1555
Email: fpcc-cpac@agr.gc.ca
www.fpcc-cpac.gc.ca

Section 4.3: Food Preservation and Processing

Canadian consumers want safe, nutritious, inexpensive food throughout the year. Unfortunately, Canada's climate often limits the production of food for up to six months of the year. Storing food is an option, however once food is harvested, it begins to rapidly deteriorate due to the following factors:

- Micro-organisms (e.g., yeast, mold, bacteria)
- Intrinsic (naturally occurring) enzymes
- Temperature
- Moisture
- Insects and vermin

Due to the risk of spoilage, much of our food is processed in some way to increase its availability and preserving its nutritional value.

- A food is considered ***processed*** as soon as anything is done to it to prevent spoilage; that includes washing and wrapping.
- A food is considered ***preserved*** once it is stabilized with respect to safety and quality.

Not all processing methods preserve food. Some are also used to change or stabilize the texture of the food.

In this section you will learn:

- Chemical processing methods
- Physical processing methods
- Packaging methods
- Hurdle processing
- Batch versus continuous processing

More details on processing methods can be found in Appendix A. For any technical questions contact a Food Safety Advisor at 1-877-424-1300 or email foodsafety@ontario.ca

Chemical Processing Methods

The properties of a food may be altered through the use of:

- Water activity adjustment (e.g. drying, salting, addition of sugar)
- Use of approved food additives (e.g. addition of other ingredients and /or approved food additives)
- pH adjustment and control

Consumers today are increasingly wary of ingredients on a food label they cannot pronounce or whose function they do not understand. You may want to consider which chemicals you use to process your products.

Water activity adjustment

Water is the most important factor in controlling the rate of deterioration of a food. However, knowledge of the moisture content of a food is not sufficient to predict its stability. It is the availability of water for microbial, enzymatic, or chemical activity that determines the shelf life of foods. This water availability is measured as water activity (a_w).

Water activity is measured on a scale of 0 to 1, where 0 indicates no water and 1 indicates all water. The water activity of pure water is 1.0 and a dry cracker has a water activity of about 0.2. Food spoilage micro-organisms, in general, are inhibited in food where the water activity is below 0.6. However, if the pH of the food is less than 4.6, micro-organisms are inhibited when the water activity is below 0.85, but yeast and mold will still grow.

Food additives that inhibit growth of micro-organisms

The addition of approved chemical additives (e.g., benzoates, sorbates, sulfites, nitrites) inhibits microbial growth in foods. Not all additives are chemicals; salt, sugars, wood smoke and some spices also inhibit the growth of micro-organisms.

pH Control

Every micro-organism has a minimum, optimum and maximum pH for growth. Yeasts and molds can grow at low pH, but 4.6 is generally considered the level that will prevent the growth and toxin production for pathogens. A pathogen is any micro-organism that causes illness such as food poisoning or food intoxication. The level of pH is primarily a means of growth inhibition and not a method for destruction of existing pathogens.

A pH level of 4.6 is used as a divider between high-acid and low-acid foods.

Naturally high-acid foods include peaches (pH 4.0), orange juice (pH 3.5) and apples (pH 3.5). In general, most fruits are high-acid. However, some tropical fruits including pineapple might fall in the pH range above 4.6 depending upon growing conditions. Examples of low-acid foods (pH above 4.6) are: fresh fish (pH 6.3), canned green beans (pH 5.0), bread (pH 5.5) and fresh ham (pH 6.2). Low-acid foods include protein foods, most vegetables, starch-based foods and a variety of others.

Some foods that are naturally low-acid are processed in a way that makes them a high-acid food. This is called acidification. Examples of foods that are processed to make them high-acid include pickled fish and pickled peppers that use vinegar (acetic acid) to lower the pH; and olives and sauerkraut that use a fermentation process to produce lactic acid that reduces pH.

Physical Processing Methods

A number of physical methods are available to you for processing and preserving foods, including the following:

- Sterilization
- Sous Vide
- Pasteurization
- Blanching
- Microwaving
- Frying
- Refrigeration
- Freezing
- Irradiation
- Dehydration/Drying
- Emulsions
- Homogenization
- Extrusion

Sterilization

Sterilization destroys all pathogenic and spoilage micro-organisms in foods and inactivates enzymes by heating. All canned foods are sterilized in a retort (a large pressure cooker). This process enables food to have a shelf life of about two years.

Foods that have a pH of more than 4.6, such as meat and most vegetables must undergo severe heating conditions to destroy all pathogens. These foods are heated under pressure to at least 121°C (249.8° F) for varying times.

Severe conditions are applied to ensure that *Clostridium botulinum* spores are destroyed during processing. These spores produce the deadly botulinum toxin under anaerobic conditions (that is, where there is no oxygen). The spores are destroyed by heat or are inhibited at pH values of less than 4.6. Validating a thermal process for your product must be done by an appropriate laboratory or technology centre with a thermal process authority.

Sous Vide

French for "under vacuum," sous vide is a method of cooking food sealed in airtight plastic bags in a water bath for longer than normal cooking times (72 hours in some cases) at an accurately regulated temperature much lower than normally used for cooking, typically around 55˚C (131˚F) to 60˚C (140˚F) for meats and higher for vegetables. The intention is to cook the item evenly, and not to overcook the outside while still keeping the inside at the same "doneness." This keeps the food juicier. Sous vide does not sterilize the food, so all foods processed using this method must be kept below 4˚C (39˚F) during its retail life. As well, the processor must determine the "shelf life" (the length of time that product retains its safety) of the food. Even though the food is processed in the bag, the process does not destroy all micro-organisms. At storage temperatures above 4˚C (39˚F), bacteria may grow leading to spoilage and food borne illness.

Pasteurization

Pasteurization is the process of heating a food (usually a liquid) to or below its boiling point for a defined period of time. The purpose is to destroy all pathogens, reduce the number of micro-organisms, inactivate enzymes and extend the shelf life of the food product.

Pasteurization is most commonly used on liquids such as milk and juices, with raw milk being the most common pasteurized food. Pasteurization will destroy pathogens that may be found in raw milk however, it does not destroy all micro-organisms. This is the reason all fluid dairy products must be stored below 4˚C (39˚F).

High-temperature/short-time pasteurized (HTST) milk is heated for 15 seconds at 72˚C (161.6 ˚F) and Ultra-high-temperature (UHT) pasteurized milk is heated for 2 seconds at 135˚C (275˚F). UHT may impart a distinct cooked flavor to the product – and products are only shelf stable if UHT combined with aseptic packaging. There is a greater loss of flavour from foods that are exposed to heating for longer times. Therefore, temporary stability (e.g., limited shelf life) is only obtained with some foods where prolonged heating would destroy its quality.

Blanching

Blanching is a slight heat treatment (hot water or steam) that is applied mostly to vegetables before canning or freezing.

Blanching is used before freezing and canning to inactivate enzymes present in foods that may cause deteriorative reactions to foods during processing and storage. These reactions include colour and texture changes, off-flavours, and a decrease in nutritional value.

Microwaving

Microwave ovens are rarely used for processing large quantities of food. They are mainly of interest if you cater to the convenience food market, with products such as frozen entrées.

Microwave ovens use electromagnetic radiation to excite water molecules in food. The actual waves penetrate only about 25 cm (10 in.) from the source of the radiation. Within the food, the waves only penetrate 1.9 to 2.5 cm (3/4 to 1 in.) on all sides. As a result, the actual ovens must be limited in size. Heat is produced within the food by the friction of water molecules which spreads to the centre of the food by conduction.

Small portions are cooked rapidly in microwave ovens. As the quantity of food increases, however, the efficiency is lost.

Frying

Frying differs from other methods of heat processing in that the cooking medium is hot oil. Because of the big difference between the temperature of the oil and the food, as well as the small size of the food pieces, cooking is completed in a relatively short time, anywhere from 20 seconds to 6 minutes.

Fried foods are known for their characteristic crispy outer surface as well as their high fat content. The fat that is absorbed by the food product varies from 10 to 40 per cent, depending on the time the food is immersed in the oil. Continuous fryers are often used in the food industry. Unless consumed immediately after frying, foods must be refrigerated or frozen to ensure their safety and quality.

Refrigeration

Refrigerators should be set to below 4˚C (39°F) for hazardous foods, to control the growth of micro-organisms in foods. Potentially hazardous foods are those foods with a pH greater than 4.6 and water activity greater than 0.85. These foods include cooked meat and poultry, milk and dairy products, eggs, products made with eggs, shellfish and sea-food.

The quality of foods that cannot be dried or canned can be extended by refrigeration. Examples are perishable fruits and vegetables, meat and poultry, cheese, yogurt, fresh salsa and soy milk. These products have a limited shelf life because refrigeration only slows bacterial growth; it does not prevent it.

Refrigeration:

- Reduces the respiration rate of fruits and vegetables, which retards reactions that promote spoilage
- Extends the storage life of commercially processed foods

Freezing

Freezing can be used to preserve a number of food products. Freezing halts the growth of micro-organisms, but does not destroy them. If processed carefully, a frozen food product will maintain quality in color, texture and flavor for a long shelf life. If the product is not prepared and frozen properly, enzymes from the food and micro-organisms in the frozen food may lead to degradation of the food.

While many home freezers are held at -10˚C (14˚F), commercial freezers are under -18˚C (-0.4˚F). At this temperature, the growth of micro-organisms is stopped. Deteriorative microbial reactions will still occur, but over a much longer time.

During freezing, the water in food forms ice crystals. The rate of this phenomenon has a big impact on the quality of frozen foods.

Slow freezing (e.g., home freezer):

- Large ice crystals form, which puncture cell walls, releasing cellular fluid
- Results in shrunken appearance of thawed food

Rapid freezing (e.g., blast freezer):

- Small, numerous ice crystals formed
- No change to cell structure

The shelf life of frozen foods is largely dependent on storage conditions. Under ideal conditions, frozen foods can have a shelf life of one year.

However, if foods are continuously exposed to warmer temperatures, such as by the opening and closing of freezer doors, then heat shock occurs. In heat shock, ice melts and re-forms into larger ice crystals. The best example is ice cream, which has a gritty texture if large ice crystals have developed.

Irradiation

Irradiation is the process of applying low doses of gamma radiation to food products. Irradiation is permitted in Canada to:

- Prevent sprouting in potatoes and onions
- Control insect infestation of wheat flour
- Reduce the microbial load of ground spices

In the future, irradiation may become more widely used to process various other food products, and it is expected to replace fumigation, ensure hygienic quality and reduce the dependence on refrigeration.

Dehydration/Drying

Dehydration or drying is the near-complete removal of water from solid foods. It is one of the oldest methods of food preservation and was traditionally carried out by using the sun as a source of heat.

This application is used for preservation, convenience and cost savings. Dried soup mixes, dried fruit, powdered milk and spices are just a few examples of dehydrated foods.

Spray drying and freeze drying are two drying methods used widely today. In spray drying, a liquid food is atomized into a fine, dry powder. Examples include natural and artificial flavours and milk powders. Freeze drying involves first freezing the food and then removing the ice, leaving a high quality, porous dried food.

Emulsions

An emulsion is a system containing two liquid phases that do not mix, where one phase (dispersed phase) is distributed throughout the other phase (continuous phase) in the form of very small droplets. Generally there are two types of emulsions:

- Oil in water (o/w)
- Water in oil (w/o)

An example of an o/w emulsion is salad dressing and an example of a w/o emulsion is butter.

Homogenization

Homogenization is used to stabilize an emulsion. More specifically, it is the reduction in size and the increase in number of droplets of the dispersed phase by the application of intense shearing forces. Generally, homogenization is applied to change the functional properties or improve the texture of emulsions. For example, most fluid milk sold at the retail level is homogenized to improve its stability and most caramel fillings are homogenized to increase their smoothness.

Extrusion

In extrusion, a food is compressed and worked to form a semi-solid mass. This mass is then forced through a restricted opening, or die, to create a desired texture or shape. The purpose of this application is simply to provide a greater variety of textured foods to consumers.

Food may also be cooked while extruded. This is referred to as extrusion cooking or hot extrusion. Some extruded food products include licorice, puffed wheat and cornflakes.

Packaging Methods

Modified Atmosphere Packaging (MAP)

MAP modifies the composition of the internal atmosphere of a package of food, often to lower the amount of oxygen (O_2) in order to slow down the growth of aerobic micro-organisms (in an oxygenated environment) and the speed of oxidation reactions. The removed oxygen can be replaced with nitrogen (N_2) or carbon dioxide (CO_2). Carbon monoxide (CO), for example, can be used for keeping the red colour of meat.

Rebalancing of gases inside the packaging can be achieved using active techniques, such as gas flushing and compensated vacuum, or passively, by designing “breathable” films known as equilibrium modified atmosphere packaging (EMAP). Food, such as fresh pasta, can be packaged in a modified atmosphere package.

Vacuum Packaging

Vacuum packaging is where air is mechanically extracted from the package immediately prior to sealing. The product is placed in a low oxygen permeable bag. The bag is placed in the vacuum machine where air is mechanically evacuated from the package and a heat seal is formed. The film is held tight against the product. There is no air or atmosphere left in the package. A number of foods, such as smoked fish are vacuum packaged.

However, while vacuum packaging may stabilize the quality of foods, foods that can support the growth of microorganisms must be refrigerated.

Hurdle Processing

Hurdle technology is a concept that was developed to address the consumer demand for more natural, fresh-like foods. It is a way for food processors to employ only mild preservation techniques to their food products.

Hurdle processing uses a variety of preservation (chemical and physical) methods to inhibit and/or eliminate microbial growth.

While some micro-organisms present in the food will be able to survive an individual preservation treatment, no micro-organism will be able to overcome all of the combined hurdles. Thus the food is stable and safe.

Some of the more common hurdles processing techniques that can be used in tandem include:

- Pasteurization plus refrigeration
- Reduction of water activity (a_w)
- Addition of salt
- Blanching plus further processing
- Freezing
- Modified atmosphere packaging (MAP)
- Reduction of pH
- Preservatives
- Refrigeration
- Irradiation

The only way to ensure you are using the correct combination of hurdle technologies is to have a qualified resource conduct quality and safety shelf-life studies.

Examples of hurdle processing can be found in traditional and recently developed foods, such as yogurt and prepackaged fresh salads. The hurdles employed in yogurt manufacture include low temperatures high acid and competitive microbial flora. Those used to prepare prepackaged fresh salads include low temperatures and modified atmospheres. For fermented sausages, the hurdles include the use of preservatives, (e.g., salt and nitrite), high acid (increase in pH) and reduced water activity.

Batch versus Continuous Processing

Food is processed in either separate batches or a continuous system. Although there are advantages and disadvantages to each method, choice in the matter is restricted only to those replacing or setting up a new processing line. Generally, batch systems are used to produce small quantities of food, whereas larger volumes are required for continuous systems.

Advantages of Batch Processing	Advantages of Continuous Processing
Greater flexibility to change product formulation and rates	Lower operation and labour costs
Lower equipment costs	Less floor space required as compared to multiple batch processes
Easier operation and control	Greater product uniformity – not necessarily true

Section 4.4: Food Safety

Consumers expect food to be safe. And they expect to be protected from unfair or dishonest business practices.

Increasingly, foodservice and food retail/wholesale operations in North America and around the globe require food companies to have their food safety program:

- Audited by a 3rd party, or
- Recognized by government, or
- Certified against one of the internationally recognized Global Food Safety Initiative (GFSI) benchmarked programs, e.g., Safe Quality Food (SQF) British Retail Consortium (BRC), CanadaGAP

An audit of your food safety program demonstrates to your buyers that your product has been processed, prepared, handled and distributed according to recognized food safety standards.

Other certifications are related to either sustainability (fair trade, organic) or religious requirements (kosher, halal) and not directly to food safety.

In this section you will learn:

- Why be concerned about food safety
- Who is responsible for food safety
- Why implement a food safety program
- What is a food safety program
- Choosing the right food safety program for my business

Why Be Concerned About Food Safety?

Increasing consumer concern

Recently, not-so-common names of pathogens (micro-organisms that cause food-borne illness) have crept into the news as we hear stories about *Salmonella* in peanut butter and cantaloupe, *E. coli O157:H7* in romaine and iceberg lettuce, and *Listeria monocytogenes* in ready-to-eat meats and cheese products. We are also hearing more about product recalls due to undeclared allergens. Outbreaks of food-borne illness and product recalls are gaining media attention. Recalls, in turn, increase public concern.

The growing attention to food safety is in part due to improved surveillance (e.g., testing of food) and greater reporting of food-borne illness, but it is also due to changing circumstances such as:

- Micro-organisms multiply and evolve very quickly. Pathogens are very effective at evolving into strains that are more dangerous.
- Preferences are increasing for fresh and/or ready-to-eat foods, as well as highly processed products.

- Foods that are not cooked by the consumer limit consumers' ability to control hazards (e.g., thorough cooking).
- The more steps involved in production and processing, potentially the greater the risk of contamination.
- Globalization of the food supply is also increasing with demands for year-round variety.
- Demographic changes, such as an aging population and greater awareness of severe allergies.
- More people are at risk and are more susceptible to becoming ill from contaminated products.

The costs of food-borne illness

Contaminated food is not safe to eat. Contaminated food products can cause a range of illnesses and injuries, such as:

- Mild to severe food poisoning
- Injuries to the digestive tract
- Ongoing health problems
- Death

The Public Health Agency of Canada estimates each year roughly one in eight Canadians (or four million people) get sick due to domestically acquired food-borne diseases (http://www.phac-aspc.gc.ca/efwd-emoha/efbi-emoa-eng.php).

While many of these illnesses are short-lived and minor, some cost governments, the health sector and individuals considerable resources to resolve. Illness and injuries due to food products are costly for us all.

Individual costs

For the lucky, a food-borne illness runs its course in a few days with mild symptoms such as vomiting and diarrhea, and perhaps a few days of lost work. For others, a food-borne illness can be more severe and in some cases turn into chronic disease, such as kidney disorders. The very young, elderly and immuno-compromised can even die from food-borne illness.

Public costs

Days off work cost our economy in lost production. Our tax dollars pay for doctor visits, diagnostic tests, stays in the hospital and treatments for fighting illness. Food-borne illness is an unnecessary burden on our public health care system.

Business costs

Beyond costs to society, your company can suffer from severe business losses. If a contaminated product is linked back to your company, you will likely deal with recalls and wasted product. This can affect your reputation and lead to lost sales, lost customers and lost business opportunities. If the crisis is long lasting or far-reaching, unwanted publicity and lawsuits can lead to job losses and in extreme cases, bankruptcy or company closure.

Who is Responsible for Food Safety?

Role of industry

Each person in the food chain has a responsibility to do their part in ensuring food safety, whether you are a farmer, a transporter, a processor, a distributor, retailer or consumer. Every hand that handles food has the potential to improve food safety or cause contamination.

Food safety requires multiple layers of cooperation and intervention. If you produce or handle food, you need a system to minimize harmful effects to public health and your business. When employees do not follow food safety practices, contamination of the product can occur. This could lead to illness for the consumer and a crisis for the business.

Industry has a responsibility to:

- Commit to a food safety system over the long term
- Allocate necessary resources
- Meet food safety standards by developing and implementing practical, effective procedures that are specific to and work within your facility
- Ensure all staff are trained
- Verify staff remain diligent in their activities

Why Implement a Food Safety Program?

Food safety assurance

The primary benefit of food safety management is the reduction and elimination of potential food safety risks (biological, chemical and physical hazards) to your products.

Business advantages

Implementing a food safety program has helped Ontario companies increase sales, gain new customers and broaden their market reach. In fact, the return on investment was estimated to be about five times the program expenses in the first year alone. In other words, companies got back about five dollars in benefits for every one dollar spent.

Here are some other benefits to implementing a food safety program.

1. **Increase customer confidence and open new markets**
   - Processors with a food safety program demonstrate a greater degree of confidence that they are producing a safe food product
   - Many buyers require food safety programs for their suppliers to maintain market share and/or gain access to new markets

2. **Operate more efficiently saving you time and money**
   - Standardized procedures lead to improved product quality and consistency
   - Preventing rather than reacting to problems leads to fewer recalls, returns and customer complaints

- Regular monitoring leads to anticipating problems earlier and the potential for less waste
- An analysis of your manufacturing process helps identify the potential for reduced production costs
- Food safety related due diligence may result in reduced insurance costs

3. Improve employees' behaviours and attitudes

- Employees will be more aware of hazards, be more conscientious and take pride in their work which leads to decreased employee turnover.

What is a Food Safety Program?

Good Manufacturing Practices (GMPs), also known as prerequisite programs or Preventative Control Plans (PCPs) are:

- Food processing best practices implemented to create a safe and suitable environment for manufacturing of food
- The foundation of food safety systems, also known as HACCP (GMP's need to be implemented before HACCP)

GMPs involve written rules, procedures, records, staff training and verification to ensure that people and premises do not present food safety hazards.

- People controls are practices and rules that food handlers and others in the facility follow to prevent or control food safety hazards
- Premise controls are requirements for the condition of the facility (inside and out) that prevent or control food safety hazards

GMPs include:

- **Premises** – building exterior, interior, water supply and sanitary facilities
- **Transportation, Purchasing, Receiving, Shipping and Storage**
- **Equipment** – preventive maintenance and calibration
- **Personnel and Training** – written policies and training for hygiene
- **Sanitation and Pest Control** – written programs for pest control and sanitation standard operating procedures (SSOPs)
- **Allergen Control** – managing the use of allergens and ensuring your product is labelled correctly
- **Process Controls** – written description of processing steps (e.g., cooking) and associated control measures and critical limits
- **Product Recall** – written program which includes a protocol for a mock recall to test systems effectiveness
- **Traceability** – tracking an identified product (and its attributes) as it moves between locations

Elements to consider when developing Good Manufacturing Practices

The following elements are often included in GMPs which are the foundation of a food safety program. The specific requirements for GMP components can vary according to different food safety programs however the basic principles are always the same. Below are guidelines to follow when developing your GMPs. If you have a specific food safety program in mind, be sure to check the standards for that particular program.

Premises – building exterior, interior, water supply and sanitary facilities

- The food processing facility should be designed, constructed and operated to:
  - permit the operations to be performed under clean, sanitary and orderly conditions
  - permit the effective cleaning of all surfaces
  - prevent contamination of the food
  - prevent entry of pests to prevent hazards that might adversely affect the safety of food
  - ensure that water, ice and steam used as an ingredient for processing, sanitation and hand washing is potable

Transportation, Purchasing, Receiving, Shipping and Storage

- Food should be received, stored and transported to avoid:
  - contamination of the food
  - rapid proliferation of micro-organisms in the food
  - deterioration of the food or damage to the package to maintain the safety of the product throughout the distribution system
- Only approved ingredients, products and materials are purchased

Equipment – preventive maintenance and calibration

- Equipment should be designed, constructed, maintained, operated and arranged to:
  - permit effective cleaning
  - prevent food contamination of food by other food, dust and foreign material
  - permit operation in accordance with intended use
- Measuring and monitoring devices used in a process critical to food safety, such as thermometers, are to be routinely calibrated

Personnel and Training – written policies and training for hygiene

- Every person producing food should:
  - be trained to carry out the duties and responsibilities assigned
  - conform to hygienic practices while working in contact with food, food processing equipment and packaging materials to prevent contamination

Sanitation and Pest Control – written programs for pest control and sanitation standard operating procedures (SSOPs):

- Cleanliness of the processing area, equipment and utensils is required to prevent contamination of the food and ensure food safety. Soil residues and films harbor micro-organisms and therefore must be regularly and effectively cleaned and sanitized
- Written SSOPs must be developed and put in place for every room and piece of equipment in the operation
- The design and construction of buildings should prevent entry of pests to prevent hazards that might adversely affect the safety of food

Allergen Control – Some people are allergic to certain ingredients in foods. By law, you must make sure the labels on your food give a complete and accurate listing of ingredients so consumers know what they are eating.

The priority food allergens associated with severe allergic reactions are eggs, milk, peanuts, seafood (fish, crustaceans and shellfish), sesame, soy, sulphites, tree nuts, wheat and mustard. See Health Canada's website on food allergies (http://www.hc-sc.gc.ca/fn-an/securit/allerg/fa-aa/index-eng.php).

The Canadian Food Inspection Agency (CFIA) estimated that as many as 1.2 million Canadians may be affected by food allergies and these numbers are increasing, especially among children.

As part of your good manufacturing practices, you will want to manage your use of allergens during processing. If your product is not labelled correctly, or if your food accidentally becomes contaminated with an allergen, the results can be serious. You can find a List of Ingredients and Allergens from CFIA's website (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/list-of-ingredients-and-allergens/eng/1383612857522/1383612932341?chap=0).

If you export your products, check the list of priority allergens for that country/region. For example, one of the priority allergens in the European Union is celery.

For information on food allergies, labelling allergens, and your responsibilities as a processor, go to CFIAs Food Allergies and Allergen Labelling Information website (http://www.inspection.gc.ca/food/consumer-centre/food-safety-tips/labelling-food-packaging-and-storage/allergen/eng/1332442914456/1332442980290).

Process Controls – written procedures should be available and followed to ensure the product does not result in a health hazard. Inadequate process controls could lead to pathogenic organisms, toxins and other hazards in the product.

- Procedures should include:
  - identification of critical control points (CCPs)
  - critical limits for CCPs
  - monitoring programs for CCPs
  - corrective action in case CCP does not meet critical limits
  - verification procedures to confirm the food was produced in compliance with the written procedures

Product Recalls and Traceability

Product Recalls

News of a product recall may not only have significant financial impacts for your business, but may be devastating for your company's reputation as well as that of the entire sector. This can jeopardize your current market share and put your company's viability at risk.

Imagine this worst-case scenario: one of your products has been reported as potentially being unsafe or the cause of a food-borne illness outbreak. This report could have come from one of many sources, such as:

- Public health officials
- Consumer complaints
- CFIA inspections, testing and sampling programs
- Other government departments
- Competitors
- International governments
- Company-initiated concerns found by in-house sampling

There are several things you can do to reduce the impact of a product recall:

1. Have a food safety program in place to prevent or avoid risks to your product that could trigger a recall
2. Have an effective traceability and recordkeeping system that collects information on your raw materials and ingredients, your production processes and your finished products (see Traceability)
3. Ensure you can remove your product from the marketplace as quickly as possible using a tested recall program. Preparing your recall program in advance and testing its effectiveness with regular mock recalls will put your business in a good position to reduce its risks and liabilities associated with a product recall. Health Canada's *Recalling Consumer Products – A Guide for Industry* will help you implement your recall program so that it works when you need it to (http://www.hc-sc.gc.ca/cps-spc/pubs/indust/recalling-guide-2005-04-rappel-eng.php)
4. Develop crisis management and communications plans for product recalls so that your company can react and respond quickly to your customers and the public

If your product is identified as having undeclared ingredients (e.g., allergens), being potentially unsafe or suspected as the cause of food-borne illness, you should initiate a product recall voluntarily. If there is a threat to public safety, CFIA has the power to recall and detail the product even if your business chooses not to initiate a product recall.

When CFIA issues recall notices they can be found on the CFIA website (http://www.inspection.gc.ca/about-the-cfia/newsroom/food-recalls-and-allergy-alerts/eng/1299076382077/1299076493846).

Additionally, the CFIA offers an online fact sheet that you can review to learn more about the recall process: http://www.inspection.gc.ca/about-the-cfia/newsroom/food-safety-system/food-recalls/eng/1332206599275/1332207914673.

Traceability

Traceability is the ability to follow products through all stages of the agri-food chain – from production to retail. Traceability allows your business to effectively track an identified product and its attributes as it moves between locations. It is important:

- To help you meet your market requirements and access new market opportunities
- For effective product recall
- For planning, response and recovery efforts in the event of an animal disease outbreak
- To ensure confidence in your products
- For protection of your business and your customers

Traceability is not a new concept for businesses and all businesses practice traceability to some degree through normal operations and sales transactions. Documents such as invoices, bill of lading, receiving logs and purchase orders can help you collect information about who you buy from (your suppliers), what you buy from them (such as raw materials or ingredients), how you use those goods (your processing steps), and to whom you sell your finished products. More often, it is food processors who are asked to provide records of these facts. For example, a foreign market may require documentation related to traceability as part of their regulatory requirements. Even local customers may want proof that your business keeps track of and knows the sources of raw materials, ingredients or products. Additionally, a processor may be asked to justify a claim (e.g., fair trade, organic, kosher) on a particular product for branding or marketing purposes.

A traceability system needs to record three key elements:

1. **Location** (referred to as premises) **identification**
   Premises identification is a critical first step to building an effective traceability system. It allows you to know where your inputs are coming from, where your products are currently and where they were shipped. Premises is a parcel of land associated with your agri-food operation and some examples include processing plants, abattoirs, warehouses and other sites that handle your products. In Ontario, agri-food businesses can voluntarily register premises in the Provincial Premises Registry (PPR). The PPR is an Ontario Ministry of Agriculture, Food and Rural Affairs initiative and the only official provincial registry for obtaining a Premises Identification Number (PID) for Ontario agri-food businesses. The purpose of the PPR is to establish an accurate premises identification database by securely collecting, verifying and storing premises information and assigning unique Premises Identification Numbers (PID) to parcels of land in Ontario.
2. **Product identification** (and related attributes)
   It is easier to find and track products that have been assigned an identification number or code. Examples include lot or batch number and production date. The method of product identification for processed food may be determined by your commodity or market requirements.
3. **Movement recording**
   A record of movement of your products from one location to another. Movement recording cannot occur without premises and product identification. At minimum, movement recording between premises e.g., from a processing facility to a retail store requires product identification, premises identification (both for place of origin and destination), date shipped/received, quantity moved and the method of transportation. You may also want to collect other information about product movement for your food safety program, such as temperature during movement and cleanliness of transport vehicles.

A traceability system captures, stores and shares information about products received, internal production and operational processes, all the way to finished goods that are shipped and sold to the customer. To have an effective traceability system that maximizes your business processes and recall capabilities, you need to be collecting the right pieces of information about your incoming goods, your production processes and your finished product.

Traceability systems can range from simple paper-based recordkeeping to more sophisticated information management that uses automated and computerized components for efficient data capture and secure access to information. Whichever traceability system you choose, having accurate and complete records at critical stages in your operation are vital to collecting the information required to make the right decisions for your business.

Experts recommend that you trace the attributes of your product at least one level back and one level forward from your operation, called "one-up, one-down" traceability. One level back will require you to track your incoming goods back to your suppliers, while one level forward will require you to know who you sold your product to immediately after it left your facility.

To learn the basics or get practical support to help you implement traceability for your business, visit ontario.ca/traceability or call the Ontario Ministry of Agriculture, Food and Rural Affairs' traceability staff at 1-877-424-1300.

Hazard Analysis and Critical Control Point (HACCP)

HACCP (pronounced HASSIP) is a science-based food safety management system recognized worldwide as the primary means for enhancing food safety. For a complete and proper HACCP system, you first need to implement GMPs. Remember that GMPs take care of hazards associated with personnel and your premises environment. HACCP controls hazards associated with your ingredients, products and processing steps.

HACCP system = GMPs + HACCP Plans

A HACCP Plan is a document (or set of documents) that you develop to control hazards that are important for food safety and associated with your specific ingredients, products and processing steps. The details of your HACCP Plan will be unique to your facility.

Developing your HACCP plan(s) involves two key concepts and associated actions:

1. Conducting a Hazard Analysis – involves looking at all your ingredients, products and processing steps to determine where hazards are likely to occur
2. Determining Critical Control Points – a CCP is a point, step or procedure where a control measure can be applied and is essential to prevent or eliminate a food safety hazard or reduce it to an acceptable level. An example of a CCP is cooking temperature

To get practical resources and support to help you develop GMP and HACCP programs for your business, visit www.ontario.ca/foodsafety or call a Food Safety Advisor at 1-877-424-1300 or email foodsafety@ontario.ca.

For general information on food safety for food processors visit http://www.omafra.gov.on.ca/english/food/foodsafety/processors/index.html

Choosing the Right Food Safety System

When implementing a food safety program, you have the choice of several different programs to follow that fall into one of two categories – public and private.

All programs, whether public or private, set standards for safe food production for the agri-food industry. The programs almost always include:

- Good Manufacturing Practices (GMPs), also known as Prerequisite Programs or Preventative Control Plans (PCPs)
- Hazard Analysis and Critical Control Point (HACCP) plans

Programs may also include additional requirements such as:

- Traceability
- Food defense
- Management commitment

Public programs

Public food safety programs are offered by the government. The Federal Government of Canada offers the Food Safety Enhancement Program (FSEP) for federally registered facilities. For some federally registered facilities, FSEP is mandatory by law e.g., meat. The Canadian Food Inspection Agency (CFIA) audits these facilities (http://www.inspection.gc.ca/food/fsep-haccp/eng/1299855874288/1299859914238).

Guide to Food Safety: This is a voluntary tool from the CFIA that provides the Canadian food industry with generic guidance on how to develop a food safety program. If you are new to food production or handling you may find this guide very useful to develop your food safety program (http://www.inspection.gc.ca/food/non-federally-registered/guidelines/guide/eng/1352824546303/1352824822033).

Note: In July 2015, CFIA's Safe Food for Canadians Act will come into effect. Check the CFIA website for more information on the Act (http://www.inspection.gc.ca/about-the-cfia/acts-and-regulations/regulatory-initiatives/sfca/eng/1338796071420/1338796152395).

Private programs

Private food safety programs are offered by private companies. Some examples of private programs are American Institute of Bakers (AIB), British Retail Consortium (BRC), Food Safety System Certification (FSSC 22000) and Safe Quality Food (SQF). Some private programs have been around for a long time and have built up reputations as rigorous and thorough programs.

All food safety programs are based on principles developed by the Codex Alimentarius, which is part of the World Health Organization. Many food safety programs have been created all over the world, based on the Codex principles. However, there is no universally accepted food safety program that has prevailed over the others.

In an attempt to reduce the number of different food safety programs, reduce the number of food safety audits that processors must undergo and to improve consistency between food safety programs; in 2000 many large retailers got together from across the globe to try and agree on a consistent food safety program to accept. What resulted was the Global Food Safety Initiative (GFSI). GFSI is an organization that "benchmarks" food safety programs by putting the programs through a rigorous analysis. There is

now a list of food safety programs that have been benchmarked under GFSI. As a result, there has been a drastic increase of retailers demanding their suppliers be certified to a GFSI benchmarked program (http://www.mygfsi.com/).

You should choose a food safety program that meets your food safety needs and requirements of your buyers. All programs, if adopted and maintained properly, will increase food safety protection and improve marketability for your products. The program you choose may depend on your market reach, buyer demand and level of food safety risk in your facility. The best place to start when choosing a program to adopt is to find out what your buyers are requiring.

Choosing a Food Safety Program

If you intend to pay to have an audit of your food safety system, you will have to decide which program you would like to be audited against (or which program you will follow).

To make that decision, ask yourself a few questions.

1. **What can you afford?**
   - Maybe you just want to adopt the program but not pay for audit/certification
   - Maybe you have some problem areas in your facility and only want to implement the GMPs that address the problems (e.g., personnel and sanitation)
2. **What are your customers requiring?**
   - Assurance that you have GMPS and/or HACCP? They may not require a certificate
   - GMPs and/or HACCP audited by a third party? There are many auditing bodies that will audit and provide a general HACCP certificate and audit report
   - A public/government food safety program (e.g., FSEP)
   - Certification in a particular food safety program? (e.g., SQF, BRC)

CHECKLIST

- ➤ I understand food safety concerns and the impact of unsafe food
- ➤ I understand Good Manufacturing Practices (GMPs) and have devised ways to implement them into my plant operations
- ➤ I plan to implement a food recall and traceability system

Section 4.5: Food Safety Regulations and Other Government Regulations

Canadian federal, provincial, and municipal governments all have laws that govern the food industry and food processors. You need to be aware of these laws, as well as any changes that occur in them over time. If you are planning to export your product, you will also need to know the laws for your foreign market.

In this section you will learn:

- Federal food safety regulations
- Other federal regulations
- Import requirements
- Provincial food safety regulations
- Other provincial regulation
- Municipal regulations
- United States regulations

Federal Food Safety Regulations

There are a number of federal laws and regulations related to food safety that you will need to know and follow. They are governed by the following agencies:

1. **Health Canada** (http://www.hc-sc.gc.ca/index-eng.php):

- Establishes policies and standards governing the safety and nutritional quality of all food sold in Canada
- Carries out food-borne disease surveillance for early detection and warning

While all manufacturers in Canada must sell food that is fit for human consumption, according to the Food and Drugs Act (http://laws-lois.justice.gc.ca/eng/acts/F-27/) the government body that inspects and approves your production process depends on where you plan to sell your product.

The information in this section is a guide to the regulations that apply to the food processing industry. All of the regulations are not listed here. It is your responsibility to contact the regulatory agencies that apply to your business to get all the details.

There are other regulations, not related to food safety which may need to be in compliance e.g., business, contract, environmental, labour, trade or criminal law.

Get as much information as possible about all the laws that apply to you before you:

- Build a new plant
- Buy an existing plant
- Start operations
- Expand or modify your operation
- Introduce new products
- Expand into new markets

Regulatory agencies can inspect your business to make sure you are operating within the law. These inspections will be more or less frequent depending on the risk of your product. For example, meat is a high-risk product. All animals are inspected before they are slaughtered. The inspector will also be there during the slaughter and will inspect the carcasses afterwards. If your facility produces lower-risk products, inspectors might visit less often. If your product is going to be exported, your trading partners may want verification that your facility or processes meet their standards.

If an inspector decides your product or the premises are not operating within the regulations, you must take corrective action.

2. **Canadian Food Inspection Agency (CFIA)** is responsible for enforcement and administration of the Food and Drugs Act to protect consumers from any food that is not fit for consumption, including those that are sold exclusively within provinces. Federal regulations cover food products which are sold inter-provincially and internationally (e.g., products for out-of-province sales).

   CFIA also has the legislative power to enforce the fraud and labelling provisions of the Consumer Packaging and Labelling Act, the Canada Agriculture Products Act and associated regulations to all food processors in Canada, including the Ontario licensed plants. When problems occur, CFIA also communicates possible food safety risks to Canadians.

In 2012 the Government of Canada passed the Safe Food for Canadians Act. The Act:

- Makes food as safe as possible for Canadian families
- Protects consumers by targeting unsafe practices
- Implements tougher penalties for activities that put health and safety at risk
- Provides better control over imports
- Institutes a more consistent inspection regime across ALL food commodities sold inter-provincially and internationally
- Strengthens food traceability

The Canadian Food Inspection Agency (CFIA) enforces these federal acts *:

- Agriculture and Agri-Food Administrative Monetary Penalties Act
- Canada Agricultural Products Act
- Canadian Food Inspection Agency Act
- Consumer Packaging and Labelling Act
- Orders made under the Financial Administration Act
- Fish Inspection Act
- Food and Drugs Act
- Health of Animals Act
- Meat Inspection Act
- Plant Protection Act

***Note: Check the CFIA website for updates on the Safe Food for Canadians Act.**

On the CFIA website, you will find information about all the programs and services they offer, all the acts and regulations they enforce, and a directory of staff and offices (http://www.inspection.gc.ca).

You'll also find newsletters, fact sheets, guidelines, manuals and databases covering a wide range of topics, such as allergens, labelling, food safety, codes of practice, and generic HACCP plans. Be sure to check out the CFIA's Food Labelling for Industry, which is available on the website (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939).

Contact Canadian Food Inspection Agency

Head Office
1400 Merivale Road
Ottawa, Ontario K1A 0Y9
Tel: 1-800-442-2342

Ontario Area
174 Stone Rd W
Guelph, Ontario N1G 4S9
Tel: 226-217-8555
Fax: 226-217-8495

Other Federal Regulations

1. **Canada Business Ontario** (http://www.cbo-eco.ca/en/), part of the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) was developed to help Ontario entrepreneurs gain access to government business information. On this site you will find the Business Regulations Guide with information related to business regulations (http://www.cbo-eco.ca/en/index.cfm/managing/regulations/business-regulations-guide/).
2. **Health Canada** (http://www.hc-sc.gc.ca/index-eng.php) establishes policies and standards governing the safety and nutritional quality of all food sold in Canada. They carry out food-borne disease surveillance for early detection and warning.

The Regulatory Roadmap for Health Products and Food is a strategy to produce a sustainable regulatory future that meets the objectives of protecting the Canadian public from the sale and advertising of unsafe food and health products, and supporting the safest consumption of food and use of health products (http://www.hc-sc.gc.ca/ahc-asc/activit/strateg/mod/roadmap-feuillederoute/rm-fr-eng.php).

3. **Measurement Canada** (http://www.ic.gc.ca/eic/site/mc-mc.nsf/eng/Home) is responsible for ensuring the integrity and accuracy of measurement in the Canadian marketplace. They:
   - Develop and administer the laws and requirements governing measurement
   - Evaluate, approve and certify measuring devices
   - Investigate complaints of suspected inaccurate measurement

Measurement Canada enforces two laws:

- Electricity and Gas Inspection Act and Regulations
- Weights and Measures Act and Regulations
  - All measuring devices, such as scales and meters, must be inspected by an authorized service provider before you use them for trade (see http://www.ic.gc.ca/eic/site/mc-mc.nsf/eng/lm04264.html).
  - All goods and services traded on the basis of measure must also be inspected by an authorized service provider to ensure they are accurately measured.
  - Measuring devices in eight sectors are required to be inspected at set intervals. The sectors related to food manufacturing include dairy, retail food, fishing, and grain and field crops. The mandatory inspection frequencies by sector and device type can be found here http://www.ic.gc.ca/eic/site/mc-mc.nsf/eng/lm04707.html).

Import Requirements

You can import products into Canada from other countries for processing. Federal and provincial legislation may have certain conditions you need to meet to do this. For example, some products can only be imported under a federal import permit which is issued by International Trade Canada.

Note: Changes to the Safe Food for Canadians Act will affect import requirements; check the CFIA website for more information.

Certain products are subject to tariff rate quotas meaning there may be a limit to how much you can bring in. You can find more information on the Foreign Affairs, Trade and Development Canada website (http://www.international.gc.ca/commerce/index.aspx?view=d).

Some rules also apply to importing equipment.

To learn more about import requirements, contact:

- A customs broker or freight forwarder
- The Canada Border Services Agency http://www.cbsa-asfc.gc.ca/import/menu-eng.html
- Your local Canadian Food Inspection Agency office http://www.inspection.gc.ca/about-the-cfia/offices/eng/1313255382836/1313256130232

Provincial Food Safety Regulations

As a food processor, you must familiarize yourself with a number of provincial statutes and regulations administered and enforced across ministries.

1. **Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)** administers and enforces acts and regulations that apply to food processors that produce and distribute agri-food products for sale only within Ontario. These products include meat, dairy, eggs and foods of plant origin (fruit and vegetables, sprouts, culinary herbs, nuts, edible fungi, maple and honey products).

   All other products produced and distributed for sale only within Ontario are regulated under the Food Premises Regulation and enforcement is carried out by the local Public Health Unit (See Ministry of Health and Long Term Care in this section).

Note: If you are a processor of dairy products or eggs, you must be licensed under provincial legislation. Abattoir operators who are not federally registered also need a license.

Check out OMAFRA's website (http://www.omafra.gov.on.ca/english/food/inspection/) for information on programs and services offered, and acts and regulations enforced or contact the Food Inspection Branch:

Food Inspection Branch
1 Stone Road West, 5th Floor NW
Guelph, Ontario N1G 4Y2
Tel: 519-826-4230
Toll Free: 1-877-424-1300
Fax: 519-826-4375
E-mail: ag.info.omafra@ontario.ca

The following regulations for the food industry can be found on OMAFRA's website (http://www.omafra.gov.on.ca/english/food/fid_regulations.htm):

- Food Labelling Regulations
- Canadian Food Inspection System – Regulations and Codes
- Egg Sales/Grading Program
- Fruit and Vegetable Legislation
- Food Safety and Quality Act, 2001
- Milk Act
- Egg Regulations

2. **Ontario Ministry of Health and Long Term Care** is responsible for the Health Protection and Promotion Act. This Act gives the 36 local boards of health across Ontario the authority to carry out inspections in restaurants and food premises. The local boards of health also investigate and control food-borne illness outbreaks.

   Many different Regulations fall under the Health Protection and Promotion Act, the one that applies to food is *the Food Premises Regulation 562*. This Regulation establishes minimum standards that must be followed in any place in Ontario where food is manufactured, processed, prepared, stored, handled, displayed, distributed, transported, sold, or offered for sale, but does not include a private residence.

   You can find *Food Premises Regulation 562* under the Health Protection and Promotion Act at http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900562_e.htm.

Food Handler Training

Most public health units in Ontario offer food handler training programs that focus on helping workers gain the knowledge for how and why food safety processes are necessary, as well as the steps they must take to protect their own health and the consumer's. Food handler participants learn about public health legislation, the role of the public health inspector, foodborne illness, safe food handling methods and food premises sanitation. At the end of the training, food handlers will be prepared to successfully complete the examination for a Food Handler Certificate.

For your location go to:
Municipal Public Health Unit Locations (Ontario) (http://www.health.gov.on.ca/en/common/system/services/phu/locations.aspx).

For more information, contact:

Ministry of Health and Long Term Care
Suite M1-57, Macdonald Block
900 Bay Street
Toronto, Ontario M7A 1N3
Tel: 416-314-5518/1-866-532-3161
www.health.gov.on.ca

Other Provincial Regulations

You can download Ontario laws from the e-Laws site at http://www.e-laws.gov.on.ca/ or purchase government publications from the ServiceOntario Publications website at https://www.publications.serviceontario.ca/pubont/servlet/ecom/MainServlet?selectedLocale=en.

You can also get copies of the various acts through government information centres in Toronto and Ottawa, as well as a number of third-party outlets throughout Ontario.

Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)

Ontario Farm Products Marketing Commission (OFPMC) is a regulatory agency, without a governing board, established under the authority of the Ministry of Agriculture, Food and Rural Affairs Act (http://www.omafra.gov.on.ca/english/farmproducts/index.html). OFPMC administers the following two acts:

- Farm Products Marketing Act
- Milk Act

Milk is a supply managed commodity in Canada and the production and sale of milk are highly regulated, both federally and provincially. Dairy Farmers of Ontario's website is a useful resource about regulations governing the production and sale of milk in Ontario (http://www.milk.org/Corporate/View.aspx?Content=Processors/DairyProcessing).

Other commodity marketing plans have been established under the Farm Products Marketing Act. These plans are administered by various producer marketing boards. The plans vary by commodity and each board has been granted different authorities. For example, if you are a processor of apples, asparagus, grapes, potatoes, tender fruit or vegetables, you need to be licensed under the Farm Products Marketing Act.

For a list of marketing boards and agencies, go to the Ministry of Agriculture, Food and Rural Affairs' website at http://www.omafra.gov.on.ca/english/abc.html.

For more information, contact:

Ontario Farm Products Marketing Commission
1 Stone Road West, 5th Floor SW
Guelph, Ontario N1G 4Y2
Tel: 519-826-4220/1-888-466-2372
Fax: 519-826-3400
E-mail: ontariofarm.productsmarketing.omafra@ontario.ca

Ontario Ministry of Attorney General (MAG)

The Alcohol and Gaming Commission of Ontario (http://www.agco.on.ca/en/contact/index.aspx) falls under MAG and has jurisdiction over the following acts:

- Liquor Licence Act
- Wine Content Act

For more information, contact:

Alcohol and Gaming Commission of Ontario
90 Sheppard Avenue East
Suite 200-300
Toronto, Ontario M2N 0A4
General telephone: 416-326-8700
Toll free in Ontario: 1-800-522-2876

Ontario Ministry of the Environment and Climate Change
The Ministry of the Environment and Climate Change is responsible for:

- Environment Protection Act
- Safe Drinking Water Act (Ontario), 2002
- Water Resources Act

For more information, contact:

Ministry of the Environment and Climate Change
135 St. Clair Avenue West, Main Floor
Toronto, Ontario M4V 1P5
Toll Free: 1-888-758-2999
www.ene.gov.on.ca

Employment Law

See Section 7: Human Resources for more information on regulations pertaining to employment standards and Occupational Health and Safety Regulations.

Municipal Regulations

Local municipalities are responsible for enforcing the Ontario Building Code (http://www.mah.gov.on.ca/Page7393.aspx). Your municipality may have bylaws that control the location of food processing operations, water and energy usage and waste disposal.

To find your local municipal office check the Ontario Ministry of Municipal Affairs and Housing website for a list of all 444 Ontario municipalities (http://www.mah.gov.on.ca/Page1591.aspx).

United States Regulations

There are specific regulations you must follow when your products are destined for the United States.

1. United States Food and Drug Administration
The (USFDA) is responsible for all food products entering the United States except meat and poultry (http://www.fda.gov/Food/default.htm#).

If you intend to make products for U.S. markets, these laws will apply to you:

- Federal Food, Drug and Cosmetic Act
- Fair Packaging and Labelling Act
- Nutrition Labeling and Education Act of 1990

You must register with the FDA if the products you ship to the U.S include low-acid canned food and acidified food processing.

You'll find information about exporting to the U.S on the FDA's website (http://www.fda.gov/Food/ResourcesForYou/Industry/ucm366356.htm).

For more information, contact:

U.S. Food and Drug Administration
Office of International Programs/
Office of Executive Operations
10903 New Hampshire Avenue, Building 31/32
Silver Spring, MD 20993-0002
Tel: (301)-796-4600
Fax: (301)-595-7937

2. United States Department of Agriculture Food Safety and Inspection Service
(http://www.fsis.usda.gov/)
The department's Food Safety and Inspection Service (FSIS) ensure that all meat, poultry and egg products imported into the U.S. are safe, wholesome and correctly labelled and packaged. These requirements come under the following acts:

- Federal Meat Inspection Act
- Poultry Products Inspection Act
- Egg Products Inspection Act

Information for exporters to the United States can be found at the FSIS website (http://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/importing-products).

Section 4.6: Food Packaging and Labelling

The combination of your packaging and your labelling provides a medium for your advertising message, and is one of the greatest influences on a consumer's decision to buy. It also has a direct impact on your costs and the quality of your product. Packaging is as important as the product within.

In this section you will learn:

- The ideal food package
- Packaging sources
- Design and materials
- Food labelling

The Ideal Food Package

Packaging protects your product from physical damage and chemical or microbiological contamination. The package is also one of the greatest influences on a consumer's decision to try your product.

A good package:

- Meets all current legal requirements
- Is compatible with food
- Protects against contamination from the environment
- Controls the product's environment and condition
- Can help extend the product's shelf life
- Resists mechanical damage
- Is sanitary, tamper-proof and attractive
- Is convenient, inexpensive and lightweight
- Stands up to the demands of shipping and display
- Can be easily handled in the store
- Is environmentally sound
- Functions as a preparation and/or serving vessel
- Sells itself
- Identifies the product
- Supplies the required information

The type of food package you choose may not meet all of these criteria. It is up to you to decide which are most important for your particular application and which can be compromised.

Packaging can also have an impact on your costs. Depending upon its weight, it can increase your shipping costs. And in some jurisdictions you can be held responsible for managing the end-of-life of your package to minimize its impact on the environment. This is called product stewardship.

In general, food packaging has a bad reputation with consumers. They see it taking up space in landfill sites and hear how it can use up valuable resources. Some consumers may view packaging as excessive, often not considering the food safety aspect. As a result, you must choose the packaging for your products carefully.

When you are sourcing, take into consideration packages that are smaller, thinner and use less material as long as they adequately protect your product. By doing this initially, you can save yourself some time and money searching for a new package in the future.

Packaging Sources

The Packaging Consortium (http://pac.ca/) is the industry association for the design, supply and user sectors of the packaging industry, including:

- Food and grocery products, both national and private labels
- Beverages, including soft drinks, juices, beer, liquor, milk, tea and coffee
- Pharmaceutical formulations, cosmetics and personal care items

They offer an online database of suppliers, especially those who sell in large volumes. Packaging suppliers deal only with customers that can fulfill a certain volume order. Smaller firms may find restaurant suppliers or packaging distributors can provide smaller volume orders.

Before you begin contacting food packaging suppliers, you should have a good idea of the type of packaging you need from your product specification, as well as the dimensions and volumes required (see Section 4: Developing Your Product Prototype).

There are also firms that specialize in repackaging products into new packages and aisle displays.

Packaging Design and Materials

Your packaging must look professional in order to compete, particularly in the food business. It is the packaging that will determine a first purchase, while the quality of your product will bring repeat business.

The first and most important step you must take in designing your package is to establish the required specifications for:

- Appropriate amounts in which you will sell the product (these may be based on adequate portion sizes, competitors' offerings or customer preferences)
- Volume and weights of the different sales amounts
- Physical packaging attributes that help the customer use the product
- Protective needs, including shipping and handling factors
- Appropriate shape of the packaging, not only for esthetic appeal but also for efficient shipping and stocking and legal requirements

Once you have determined the required specifications, the design of the packaging can be created to work within these boundaries.

Packaging design is part of your overall marketing strategy. You can either do the design yourself or hire a professional graphic designer to help create a package that has impact in the market.

Your graphic designer will require a clear idea of your target market, package structure and desired image.

You can get information about packaging design from trade magazines, trade shows, competing products and books on labelling.

Factors to Consider Regarding Design

Here are some of the considerations you should take into account when you are developing your product design:

- Target market
- Image or "personality" of the product based on the tastes and preferences of your target market e.g., bold, elegant, practical, sophisticated, fun
- Important features of your product to the audience (if too much information is presented, the design will be cluttered)
- Location of where your product will be sold and the associated distributor's regulatory requirements for the package, including labelling
- Placement of the product in relation to other products, particularly competitors
- Colours and the meaning they convey in each cultural setting
- The appearance of the package on the shelf
- Symbols and shapes and the information they can convey

Materials

You can choose from a number of packaging materials. Each has its advantages and disadvantages.

Metals

Metals provide excellent protection to foods, because no moisture or gas transmission can take place. Metals are:

- Inexpensive
- Non-toxic
- Strong
- Coated or plated so that they do not react with the food

Cans are the primary type of food packaging produced from metals. They allow you to cook the food inside the sealed can.

The main metals used to make cans are steel and aluminum. Steel cannot be placed in direct contact with food or it will rust. As a result, steel must be coated with tin, chromium, or various polymers for acidic foods.

Aluminum, on the other hand, will not corrode when it is exposed to food. However, it is sensitive to chloride ions and acid in foods.

In many cases, cans are lined to prevent reactions. Bisphenol A (BPA) has been used in food can liners and is being phased out.

Can Sizes

Metal cans come in a large variety of sizes, ranging in both height and diameter. Sizing is based on the American system, so it is read in inches. Two sets of numbers are given, the first set being the diameter and the second being the height. Within the set, the first number is stated in inches and the second is stated as 16ths of an inch.

Can Types

You can purchase either three-piece or two-piece cans. Because two-piece cans have only one seam, they are superior with respect to integrity and appearance. Unfortunately, they are more expensive, and only small sizes are available.

Glass

One of the main benefits of using glass over other types of food packaging is that it is non-reactive with virtually all foods. As well, it totally contains the product, because it is impervious to moisture and gases.

Like metal, glass allows you to cook the food inside the container. It is also good from a marketing perspective because it is transparent, thus allowing the consumer to see the contents.

Glass is recyclable and is often re-used by some food processors. The drawback of glass as a food packaging material is that it is extremely fragile and very heavy, which adds to distribution costs. Many large food distributors are working hard to reduce the amount of glass packaging in the products they sell.

The standard glass for food packaging is soda-lime glass. It can be formed into unique shapes and sizes. It can also be coloured for an attractive appearance or to screen out light that could cause unwanted changes in the product.

Paper

Food packages made from paper can be formed into simple or elaborate designs because paper is flexible and easy to work with.

Paper is also, light weight, generally inexpensive, and has an excellent surface for printing.

The structural integrity of paper is limited, meaning it become weaker when wet. As a result, paper is restricted to certain applications when used alone. To overcome this problem, paper is often coated with polymers or lined with foils.

Types of paper packaging include:

- Bags and pouches
- Folding cartons
- Corrugated boxes

Plastic

Plastics are ideal for food packaging because they are resistant to breakage, relatively inexpensive, corrosion resistant, lightweight and waterproof.

Plastics can be produced easily in complex shapes, and they also possess a wide range of colours, or remain transparent.

Although plastics have come a long way since their introduction into the food industry, there still remain some drawbacks to using them for food packaging. For example:

- They can bend, crush or crack easily
- Some possess little heat resistance
- They pick up dust easily
- Some of the more complex laminates can be very expensive

Plastics also don't have the excellent barrier properties of glass and metals, so they allow gases to pass in and out of the package. Plastics differ in how effective they are as barriers to the various important gases (e.g., oxygen, carbon dioxide and water vapour). Selecting the right plastic packaging requires knowledge of how sensitive the product is to loss or absorption of these gases.

Types of Plastic

Plastics are often classified into two categories: thermoplastics and thermoset plastics:

- Thermoplastics can be re-formed into a desired shape after being melted. This type of plastic is used to produce plastic bags, pouches, bottles, trays and cups.
- Thermoset plastics are very strong once formed and will decompose before melting (that is, it won't re-form). This type of plastic is commonly used for bottle caps and can coatings.

Just because a material can be recycled does not mean it is recyclable. In some cases, municipalities accept only certain types of a particular plastic, and not the full range. See the table below for the meaning of plastic recycling symbols.

PLASTIC RECYCLING SYMBOLS

Symbol	Description	Usage
	**PET (Polyethylene Terephthalate)** Clear, strong and resistant to heat with good gas and moisture barrier properties Inexpensive, lightweight and easy to recycle	Plastic water, sports drink and pop bottles; salad dressing and vegetable oil containers; oven-ready food trays
	**HDPE (High Density Polyethylene)** Stiff, strong, resistant to chemicals and moisture, easy to process and form Low risk of leaching (contaminated liquid draining from a landfill) and readily recyclable into many goods	Bottles for liquid dish and laundry detergent, juice, milk, shampoo, conditioner, bleaches and vinegar; bags for groceries and retail purchases; some butter and yogurt tubs
	**Vinyl (Polyvinyl Chloride or PVC)** Versatile, clear, tough, resistant to grease, oil and chemicals	Some window cleaner and detergent bottles and clear food packaging, like blister packs

Symbol	Description	Usage
	**LDPE (Low Density Polyethylene)** Easy to process, strong, flexible, easy to seal, barrier to moisture	Bags for dry cleaning, newspapers, bread, frozen foods, fresh produce and household garbage; container lids; squeezable bottles (e.g., honey and mustard)
	**PP (Polypropylene)** Versatile, strong, resistant to heat, chemicals, grease and oil, barrier to moisture Gradually becoming more accepted by recyclers	Some yogurt and margarine containers, syrup bottles, ketchup bottles, bottle caps, containers for takeout meals and deli foods, medicine bottles
	**PS (Polystyrene)** Versatile (rigid or foamed), easily formed, insular Gradually becoming more accepted by recyclers	Grocery store meat and poultry trays, egg cartons, cups, plates and cutlery, hinged takeout containers (e.g., clamshells), aspirin bottles, packing peanuts
	**Other** – Use of this code indicates that the package is made with a resin other than the six above, or is made of more than one resin	Large reusable water bottles, oven-baking bags, barrier layers and customer packaging

Laminates

Laminates combine the advantages of several materials into one. For example, one film may consist of paper, metal (foil) and plastic. In this case, paper is used for its low cost and strength, metal is added to prevent gas and/or light penetration, and a low-cost plastic is incorporated so the film can be heat-sealed.

Laminates can often be more costly than other packaging alternatives, such as metal cans or plastics.

Examples of laminates are Tetra Brik® drink boxes, potato chip bags, retort pouches and “ovenable” paperboard (paperboard that can be heated up to 205°C).

Food Labelling

High quality labelling, like packaging, requires research, planning and consultation from a variety of sources. As well, package and label design must be integrated. It is important that they both send the same message to the consumer.

Label Design

Before you create a label, you should have your product specification available and know:

- The regions where your product will eventually be sold, and through which distribution channels
- Information your customers would find helpful
- Colours and promotional appeals that are suitable for your audience
- How labels will be applied
- Labelling material suitable for the product environment (does it need to be freezer-proof? Shipping-proof? Smudge-proof?)
- Labelling budget per unit
- Regulatory requirements for the product

Once you have enough information to address the above, you can approach a label designer. You can design the label yourself. See Protecting Your Idea in Section 4: Developing Your Product Prototype for more information on how to copyright your label wording and artwork.

Your ultimate goal is to produce a label that is educational and user-friendly. It should also adequately market your product within legal specifications. And, of course, your label needs to be an integrated part of your strategic marketing approach.

Required Label Content & Laws

The Canadian Food Inspection Agency's (CFIA) Food Labelling for Industry (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939) is the food labelling reference for all food inspectors and stakeholders in Canada. The tool on this website provides information on:

- Food Products that Require a Label
- General Principles for Labelling and Advertising
- Labelling Requirements Checklist

After navigating this tool you may contact CFIA if you have further questions. They can be reached at:

Food Label Service—Toll Free: 1-800-667-2657
Email: labelwindow@inspection.gc.ca.

Nutrition Labelling

The Nutrition Facts table found on labels is intended to provide information needed by consumers to make informed food purchasing choices and to compare products.

The CFIA Nutrition Labelling Toolkit (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/nutrition-labelling/eng/1386881685057/1386881685870) is a resource that can help you develop your product's nutrition label. The aim of the label is to provide complete, consistent and accessible nutrition information so consumers can make wise health choices.

Make sure you navigate through this website carefully to ensure your label is compliant.

The Nutrition Facts table belongs on most prepackaged foods, however there are some exemptions; make sure you check the website to see if your product is exempt.

Developing Nutrition Panel Data

To get nutrient data, you may want to think about finding the standard for your products from free standard reference databases such as:

- Canadian Nutrient File (http://www.hc-sc.gc.ca/fn-an/nutrition/fiche-nutri-data/index-eng.php)
- U.S. National Nutrient Database (http://ndb.nal.usda.gov/)

This is an approach that is quite acceptable if done carefully and can be done at a low cost. Health Canada has a useful guide for Developing Accurate Nutrient Values (http://www.hc-sc.gc.ca/fn-an/alt_formats/hpfb-dgpsa/pdf/label-etiquet/guide-nutri_val_tc-tm-eng.pdf). Using calculated analyses can be cost effective as lab analysis can be expensive.

A number of laboratories conduct tests for nutrition content. The Canadian Food Inspection Agency recommends using an in-house or accredited laboratory that uses methods that have been validated for the food you want to have analysed. A list of accredited labs can be accessed through the Standards Council of Canada (SCC) website (http://www.scc.ca/en).

Health Claims

Health Canada conducts health claim assessments to ensure claims made for food products are truthful and not misleading. Scientific evidence is required to substantiate all health claims on food labels and advertising. The guidance documents on this website will be useful if you want to include a health claim on your product label (http://www.hc-sc.gc.ca/fn-an/label-etiquet/claims-reclam/assess-evalu/index-eng.php).

Check CFIA's Nutrient Content Claims for specific requirements when making a nutrient health claim on your label (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/nutrient-content/eng/1389905941652/1389905991605).

Allergens

Allergen control in your plant is critical to making the right statements about allergens on your food label. Check CFIA's List of Ingredients and Allergens (http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/list-of-ingredients-and-allergens/eng/1383612857522/1383612932341), if you want to make an "allergy-free" claim on your product label.

Marketing Nutrition

Alberta's Food Processor's Guide to Creating and Applying Healthy Eating Messages (http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/cbd13194) contains resource and videos to help you develop and create healthy eating messages for your target market.

Labelling Tips

Be aware of the following:

- Eco-labelling (or Environmentally Friendly Labelling) falls under separate guidelines in both Canada and the United States.
- Before you finalize the printing of labels, all the work should be proofread several times. Also, if you are unhappy with the design work, ask the designer or printer for changes.
- Printers normally create print plates for label printing. Ask the printer if you can keep the plates when the job is completed. This will permit you to change printing companies without incurring the additional cost of creating a second plate.
- There is usually a minimum order amount when purchasing labels or packages. Determining this amount before you order will help you to avoid over-purchasing to meet the minimum.
- The cost advantages of bulk printing may be undone by the need to dispose of unused labels if you require a change. Keep this in mind when you order labels.
- While you can get an informal comment on label prototypes from governmental bodies in both Canada and the United States, these organizations will not issue a legal confirmation that a product label has met all regulatory criteria.

U.S. Food Labelling

The United States Food and Drug Administration (U.S. FDA) is your go-to source for ingredients, packaging and labeling of prepackaged food going into the United States. This website also contains information on food allergies, additives and ingredients (http://www.fda.gov/Food/IngredientsPackagingLabeling/default.htm).

Product Bar Codes

Many retails and distributors now require 12-digit scanner-readable universal product codes (UPCs). The codes contain product pricing and inventory information that is scanned and processed by the cash register, allowing the retailer to keep up-to-date product stock and sales information.

GS1 Canada can issue product code numbers within 48 hours. You can also get guidelines on UPC usage and positioning from GS1 Canada's website (http://www.gs1ca.org/pages/n/standards/Barcode_Standards.asp).

Codes issued in Canada are suitable abroad. However, if a manufacturer's number is to be assigned in the United States, you must join GS1 US – The Global Language of Business (http://www.gs1us.org/).

This organization will also provide a list of reputable printers that can create film masters.

Third Party Logos – Certifications and Endorsements

Consumers are often drawn to products with added certifications ("X organization certifies this product meets their standard") or endorsements ("this product is supported by these people"). Generally, any trend that has received significant buyer attention in the last several years from gluten-free to organic has developed an industry certifier. Section 4.4: Food Safety contains a review of certifications like HACCP, ISO, halal and kosher.

Food safety certification demonstrates to buyers that your part of the food supply chain has produced, processed, prepared, handled and distributed food to a high standard and that your product meets international or domestic food safety regulations. Retailers accept certificates based on standards in order to be able to make an assessment of their suppliers to ensure that production is carried out in a safe manner. In general, safety programs are not included on a product label and certification is provided directly to bulk wholesale buyers.

CHECKLIST

- I have identified the right packaging for my product(s)
- I know where to source the packaging for my product(s)
- I know how to develop nutrition panel data
- I understanding the nutrition labelling laws as well as the process for making a nutrition claim on my packaging and advertising

SECTION 5:
Marketing

Marketing is a general term used to describe all the actions that lead to the final sale of your product to the person who will consume it. It is the process of planning and executing pricing, promotion and distribution to satisfy your individual and organization needs, as well as those of your customers.

From this definition, it is easy to see that marketing is more than just selling a product or service. It is an essential part of business. Without marketing, even the best products and services fail.

In this section you will learn:

- About the marketing plan
- How to develop your promotion plan including:
  - Promotion
  - Direct Marketing
  - Advertising
  - Publicity
  - Sales Promotion
  - Trade Shows
  - Demonstrations

The Marketing Plan

You already know what your product is and what makes it different from your competitors' and attractive to your consumer.

You now need to focus on getting your product to market and keeping it there. You can start by developing a marketing plan for each product. Be mindful that your marketing plan will change over time as your business grows.

Your marketing plan builds on your business plan. In your business plan, you identified important factors such as your target market, your competition, what made your product better or different, what consumers were willing to pay for your product, etc.

In your financial plan you identified ways to finance and build equity in your business. Your marketing plan will also build on this to help you reach your financial goals and will help you do so in a way that is in line with your business's strategic vision.

A marketing plan is critical to the success of your business! In writing your marketing plan, you should know your marketing goal(s).

Examples include:

- Entering a new market
- Establishing a target level of sales or market share
- Increasing sales or revenue
- Increasing awareness of your business or brand
- Increasing visitors to your website
- Attracting new customers
- Getting more repeat customers

If your product is brand new, your marketing goal may be to establish a certain level of sales or market share.

But before you start your plan, take a moment to consider your brand. The Agriculture Council of Saskatchewan has developed a series of guides to help food processors enter the grocery retail industry. Their Canadian Grocery Retail Guide: Brand Building and Private Label Brand*s* explains effective techniques used by other successful food manufacturers (http://www.saskvaluechain.ca/CGRGSection4/index.html).

Developing Your Promotional Plan

Promotion

The first "P" in the four "P's" of marketing is your product, which you already know about.

The second "P" of marketing is promotion.

Promotion includes all the activities that inform people about your product and influence them to buy it. Regular and consistent promotion is important so the market knows you are in business. "Out of sight" truly can mean "out of mind."

There are many promotional tools available. They come at various costs and produce different results. Before you choose one (or more), you need a promotional plan.

Before choosing a promotional tool, or combination of tools, consider these pieces of information you have already researched:

- Marketing goal (e.g., increasing sales, entering a new market)
- Target markets (e.g., your end consumer and your store presence)
- Budget

Next, you will decide which promotional tool(s) to use to reach each market. You'll learn more about each of the tools in the upcoming sections.

Putting it all together, you'll have a simplified promotional plan that looks like this:

- My promotion goal is to increase consumer sales or increase wholesale sales
- My targets include end consumers, wholesalers or other (be specific)
- My promotional tools for each market may include direct marketing, advertising, publicity, sales promotion, trade show and/or a combination of these
- My budget is: $X
- My expected return is: $X

The Agriculture Council of Saskatchewan has developed a series of guides to help food processors enter the grocery retail industry. This one provides information about Promotional Programs and Marketing Support (http://www.saskvaluechain.ca/CGRGSection11/index.html).

Direct Marketing

Direct marketing involves reaching out to a specific target audience (e.g., vegetarian, gluten-free, retirees, children under the age of six).

You can direct market to specific audiences in many different ways. The most common method of direct marketing is placing an advertisement in a special interest publication. For example, if your product is just for people with celiac disease, you can find a magazine, newsletter, or website that is specific to that target audience.

Direct marketing works best when you have researched your market and know exactly who they are and where to find them. It may be helpful to profile your ideal consumer so you can focus your marketing strategy more effectively.

Direct marketing can be described as "shooting fewer arrows with more care" because, rather than trying to get attention from a lot of people, you are aiming at a select few.

Common forms of direct marketing include:

- Direct mail e.g., mailing or emailing a letter or brochure directly to the target audience
- Online and Facebook ads: having your advertisement served specifically to people who match the profile you are targeting
- Direct advertisement TV: advertising on speciality stations that cater to special interests
- Direct advertisement magazine: advertising in specialty publications that match a certain group

Advertising

When you advertise, you pay to have your message delivered through the mass media, such as newspapers, magazines, television, radio, billboards.

Even though these are called "mass" media, it is still possible to find ways to target specific audiences. For example, you can place an advertisement during a particular TV or radio broadcast you know would be popular with your potential target audience.

When preparing an advertising campaign you have two areas to consider:

1. The medium: where you are going to place your advertisement (TV, radio, newspaper, etc.) and the costs associated with each of those choices.
2. The creative: what your TV spot, print advertisement or billboard will look like, what message it carries and its associated costs (e.g., photography, design)

You may want to hire an advertising agency or consultant to help you prepare your advertisements and choose your media.

Remember to keep your message "on brand." The Agriculture Council of Saskatchewan's guide to Brand Building and Private Label Brands highlights the value of branding (http://www.saskvaluechain.ca/CGRGSection4/index.html).

Co-Marketing

One way you can make your budget go further is by co-marketing. For example, Foodland Ontario (http://www.ontario.ca/foodland/foodland-ontario) has a long-established consumer promotion program of the Ontario Ministry of Agriculture, Food and Rural Affairs. From its inception in 1977, Foodland Ontario has partnered with producers to achieve the maximum penetration of the Ontario market by Ontario-produced fresh and processed agricultural products.

One of the main objectives of the program is to maintain consumer intent to purchase Ontario produced food. In a recent survey, eight out of ten Ontario grocery shoppers indicate that they intend to purchase Ontario food. If your target market is Ontario consumers wishing to purchase local food products then the *Foodland Ontario* program may be a good option.

Brand Canada helps companies distinguish themselves in the global marketplace by sharing many advertising resources, such as photos and research (http://www.marquecanadabrand.agr.gc.ca/intro/index-eng.htm).

You can also look for co-marketing opportunities with products that complement yours, but are not in competition with you (e.g., fresh salad and salad dressing or roasted coffee with a coffee maker).

Some Final Thoughts on Advertising

Advertising can be very expensive and you can quickly exhaust your promotion budget with one-off "space sales" in newspapers, trade/consumer publications or radio that may not reach your target audience. Make sure you have an advertising/media plan that fits with your overall objective for your product and ultimately your food business.

There's an old saying that a good advertisement can make a bad product fail faster. Your priority should always be the quality of your product. When the quality is excellent, word of mouth will follow. And that's the best advertising anywhere.

Publicity

Publicity gives you free promotion through stories in newsletters, newspapers, magazines and television. You can get publicity by sending out a media release or inviting the media to a product launch event.

A media release is a one or two-page letter identifying a newsworthy story outlining who, what, when, where and why.

You can send out a media release to announce the start-up of your new business, introduce a new product, or announce any other success story related to your company. If the media finds the story interesting, they will publish or announce the story as a news item which will be free advertising for you.

Releasing information on social media (such as Twitter and Facebook) is becoming more common. Some of these allow you to reach the media and your market at the same time, because they will turn up when a potential customer does an internet search.

You can also get publicity by developing friendships within the media or with those who are known as trendsetters, such as influential bloggers. Positive word-of-mouth can also generate interest in your story.

Publicity is one of the most effective and least costly means of promotion. Consumers tend to trust stories they hear in the media more than they trust advertising, that's what makes it effective.

The Agriculture Council of Saskatchewan has developed a series of guides to help food processors enter the grocery retail industry.

Agriculture Council of Saskatchewan's guide to Promotional Programs and Marketing Support (http://www.saskvaluechain.ca/CGRGSection11/index.html) highlights the value of press releases.

Sales Promotion

What's the difference between an advertising campaign and sales promotion?

They may appear similar at first, but there are a few key differences:

An advertising campaign tends to be a long-term effort that creates sales over time. Advertising campaigns typically result in full-price sales.

A sales promotion is meant to spike sales quickly. It usually involves an incentive to get people to buy immediately, such as a reduced price for a specific period of time, or a two-for-one special.

A lot of options are available to you when it comes to sales promotion. You may want to use several of them to promote your product and your business.

Suggestions for inexpensive promotions

As a new food processor, you can promote your product inexpensively and effectively by advertising through:

- Trade journals
- In-store demonstrations
- Contests
- Flyers and coupons
- Swag (pens, note pads, magnets, tote bags)
- Online Yellow Pages
- Business cards
- Window banners
- Personal selling
- Newsletters
- Greetings cards
- Sports team sponsorships
- Home parties
- Seminars
- Direct mail
- Word of mouth

The Agriculture Council of Saskatchewan's guide to Promotional Programs and Marketing Support highlights the value of sales promotions (http://www.saskvaluechain.ca/CGRGSection11/index.html).

Trade Shows

Setting up a booth in a trade show can help you:

- Establish a presence in the marketplace
- See what others are doing in the industry (because you'll see them at the show)
- Get a list of serious buyers more quickly than you could with a traditional sales approach

Trade shows can be expensive, but if you pick the right one, plan how to do it properly, and present your business well, they can offer a high return in sales and contacts.

Once you choose a show remember that location and appearance matter. Make sure you are in a good spot where people will see you and ensure you have an attractive, professional booth. It is a good idea to visit a trade show before you participate in one so you can see how others present themselves.

If your budget is really tight, look for regional collaborations that will let you be part of their booth. Check what trade shows are happening in your region and see if they have initiatives that let small businesses share booths. Check with food industry associations for the same opportunities. You'll find a list of the food and beverage events and trade shows on the Ontario Ministry of Agriculture, Food and Rural Affairs' website (http://www.omafra.gov.on.ca/english/rural/edr/events-training.htm).

Different Types of Shows

Some shows are for the final consumer (consumer shows) and others are for businesses within the food industry (trade shows). Examine your goals:

- Do you want to be in a show where you'll be able to take lots of orders on the spot?
- Do you want to build your brand awareness, introduce a new product, and gather leads?

The answers to these questions will help you decide which show to choose.

Another thing to consider is whether your product should be presented at a *horizontal* show, a *vertical* show, or both.

Horizontal shows showcase vendors who sell a wide variety of products or services. The people who come to horizontal shows are from many different target markets. For example, a healthy lifestyle show would be a horizontal show. It would include many products and services that are part of healthy living (e.g., fitness equipment, training advice, running shoes, food, and more).

Vertical shows tend to focus on just one type of product. The advantage of vertical shows is that the people who attend are all from a very specific market, and your objectives can be more focused. The disadvantage is that your product or service must fall exactly within the focus for the show or you will not get the results you want. A seafood show or an organic food show would be examples of vertical shows.

Choosing Your Show

There are food and beverage trade shows across Canada and in almost every country around the world. You will need to research which trade show is right for you.

To develop your list of potential shows, search online for "food industry trade shows" then find out as much as you can about each one.

Now you need to know who actually goes to the shows you are considering. Ask the people who organize the show for a demographic profile of attendees. A demographic profile is fairly general. It won't give you specific names of people who attended but it will give you a range of titles. That will tell you if the attendees are buyers or not.

You can also ask the organizers for a list of names of past attendees. You can then contact these people to see what they thought of the show. Note: some shows will only share this information with you if you have registered to exhibit.

In addition, you can ask a business that exhibited in that show the previous year for their impressions of the show and whether they will be attending again. It is best to ask someone who is not your competitor. If possible, go to the show as an attendee.

Be sure to ask the show's organizers how the show is being promoted. If it is a new show, promotion has to be very good to get the traffic you need to make it worthwhile, especially if you plan to exhibit. Ask about the schedule and check timing around other events such as lunch, to know when attendees can visit your booth.

Also, be aware that some shows move their location from one year to the next. A show that was in Toronto one year may be in Calgary the next. Make sure you know exactly where the show is going to be held.

Finally, ask the contact person for lists of groups or other exhibitors attending from your area. That way you'll know if your competition will be there. You may also find a complementary business you could share a booth with.

Preparing for the Show

Now that you have chosen a show it is time to get ready. The contact person for the show will give you basic information. Make sure you have the following:

- A floor plan so you can choose a high-traffic area. You will pay extra for a good location but the added exposure may be worth it. Ask for a plan that shows where the other exhibitors will be located.
- Booth specifications including dimensions, lighting, tables, chairs, skirting, electrical requirements and any display or sample restrictions.
- Information about all the services being offered such as accommodations, equipment rental, assistance with setup, dismantling or storage.

Training Your Booth Staff

Your booth staff account for 90 per cent of the positive feelings that attendees have about the show and your company, so pick and train them well.

Trade show attendees expect your booth staff to be very knowledgeable. Your booth staff should know everything about your company and have very good people skills. Be sure that they understand exactly what your objectives are for the show (e.g., taking orders and raising awareness).

Your staff should also know who your competition is and be ready to speak to the product's competitive advantage.

Finally, make sure they can emphasize the benefits of your product instead of simply repeating the product "features" list from your brochure.

Other Preparations

Budget:

Your trade show budget will have to cover your booth staff (and their training), accommodations, the space for your booth and your booth display, handouts, promotional activities, product transportation and travel. If the trade show is outside of Canada, add insurance costs and plan to spend at least an entire day before and after the show in the host country.

Customers:

Contact existing and potential customers before the show. Invite them to drop by your booth and inform them about special promotions available only at the show or new products that you're launching.

Advertising:

Most trade shows produce a program that is given out to attendees. There are usually advertising inserts in the general media or industry publications. You can place ads in the program as well as inserts typically at a reduced rate. This gives you the opportunity to advertise in specific vehicles aimed at your audience.

Booth:

Get a professional design company to prepare your booth and materials. Be sure to check the show's requirements for booth width and height. Try to create a booth that can be used for several different shows so as to maximize your budget.

Demonstrations

Demonstrations, sometimes referred to as "product sampling" are an effective and inexpensive means of promoting a new or existing product.

There are three types of in-store demonstrations:

1. **Live Demos**

   At a live demonstration, a member of your staff does simple food preparation. This is best for a new product that requires information or answers to questions, or for a product that needs special preparation.

   One advantage of a live demonstration is that you can encourage the customer to buy the product. A disadvantage is that a great deal of time is required for the demonstration, so costs can be high.

2. **Mobile Demonstrations**

   These are a form of live demonstration, where a demonstrator walks through the store offering samples. The demonstrator usually has a base operation near the product sales display. Not all stores allow this type of demonstration.

3. **Static Display**

   This is an area displaying the product and offering unattended samples. One advantage is that this type of display is very cost effective. A disadvantage is that there's no control over purchasing decisions or how much sample is used. This type of demonstration needs to have the consumer familiar with your product.

Steps in Planning Demonstrations

1. Determine what type of demonstration you are going to use
2. Decide which stores you are going to target. Choose one that stocks your product
3. Find out the store policy on how to set up in-store demonstrations. Every store has different policies
4. During the demonstration, hand out sample information about the product as well as any coupons
5. Be unique and try new ideas, you must stand out from the competition
6. Know the competition, but don't downgrade them during the demonstration
7. Talk to the store managers. The better the relationship you have with them now and the better they know your product, the more cooperative they will be. Talk to them about two weeks before the demonstration, so that they will have product on hand and on the shelves
8. Be prepared to work the whole weekend, not just peak hours. The normal run of a demonstration is Thursday, Friday and Saturday
9. The store may want incentives from you, such as cost cuts on products. If possible, get the store to run a special offer for your product during the demonstration. However be prepared to pay for this opportunity.

Coupons

Coupons can be an effective way to increase your sales and profits. However, you should be aware that:

- The cost of physical distribution, mailing coupons, placing advertisements and paying the retailer a handling charge for redeeming the coupons can add up
- There may be reduced contribution margins because coupons are price reductions
- New and existing customers using your coupons may have still bought the product by paying the regular price
- Most printers in Ontario can print coupons

You need to estimate various rates to determine the effectiveness of a coupon promotion. The estimations could be based on past performance or on experiments that run coupons in one city or part of a city. Rates include:

- Redemption rates
- Displacement rates
- Acquisition rates
- Stock-up rates
- Conversation rates

Company Literature and Giveaways

Keep in mind that attendees do not want to lug your marketing materials (and everybody else's) all over the exhibit hall. In fact, about 90 per cent of all marketing materials get thrown out right away. Keep yours small and light; think business-card size with a link to more information or offer to send it by mail/ e-mail to the attendee's office. You may also need to prepare materials in different languages for specific markets.

How much should you bring? That depends on how many people you think you'll see. Be sure to take lots of samples of your product.

Lead Capture and Follow-Up

The main purpose of displaying at a trade show is to make connections that can help you grow your business. You will want to capture the name and contact information of anyone who comes to your booth so you can follow up with them after the show. You can do this by:

- Having booth staff fill out lead sheets
- Renting a lead machine at the show
- Collecting business cards
- Getting people to sign-up for more information
- Having a guest book

Follow up immediately after the show. This is a good business practice and ensures your efforts to display at the booth are not wasted. Let customers know in advance when and how they can expect to be contacted.

For more information about trade shows visit Agriculture and Agri-Food Canada's website (http://www.ats-sea.agr.gc.ca/eve/eve-eng.htm).

CHECKLIST

- ➤ I have identified the target market(s) for my promotional campaign.
- ➤ I have weighed the strengths and weaknesses of each promotional tool for my target market(s).
- ➤ I have set a goal, budget, and expected return on investment for this campaign.
- ➤ I have considered co-marketing opportunities.
- ➤ I have identified any activities within my company that are worthy of publicity.
- ➤ I have considered what self-promotion opportunities may be right for me.
- ➤ I have made a list of trade shows that I would like to attend or exhibit at.
- ➤ I have contacted retailers for information on their in-store demonstration policies.

Section 5.1: Placing Your Product (distribution)

The third "P" of marketing is placing your product. This means getting your product out of your plant and into the places where your consumers can buy it. Placement is also referred to as Distribution.

In this section you will learn:

- About selling, wholesalers, and brokers
- How to get your product listed in a store
- How to export to other provinces or countries

Selling (Direct and Indirect), Wholesalers, and Brokers

In order to get your product to the consumer, you have to go through distribution channels (the paths that your goods and title to the goods follow).

It is important to build good relationships with your distribution channels because they serve various functions:

- Reducing the number of marketplace contacts and resulting in a more efficient system
- Matching the requirements of individual consumers to the outputs of various producers
- Standardizing to improve the efficiency of the system
- Holding inventory to increase market response and lower transportation costs
- Physical distribution of products to ensure that they are available for customers to purchase on demand

Direct selling occurs when you sell products directly to consumers. Methods include home parties, door-to-door selling, telephone sales, retail craft shows, farmers' markets, road-side stands, and online sales sites, such as your own website (see also Section 6: Information Technology). The advantage is that you get direct contact with your customer and can share your expertise about your product. The disadvantage is that you will not be reaching a broad range of consumers, so your sales may be relatively low.

The Ministry's Direct Farm Marketing Business Resources (http://www.omafra.gov.on.ca/english/busdev/directfarmmkt/index.html) provide the following information for farmers who sell or wish to sell directly to consumers:

- Case studies of farmers who sell direct to the consumer through a variety of market channels
- Information sheets addressing the importance and uses of business intelligence and market research, and social media
- Direct Farm Marketing best management practices
- Example templates of log sheets that can be used to gather key information for business decisions

Indirect Selling occurs when you sell to an intermediary, as opposed to an end user. Methods of indirect sales include selling your product to a retail store as well as using a wholesaler/distributer

or broker/agent. Indirect sales can include club chains, hotels and institutions as well as any kind of retail shop.

Wholesaler and **distributor** are two different words used to describe the same thing. A wholesaler buys your product then re-sells it to retail stores at a marked up price.

Broker and **agent** are also two different terms used to describe the same thing. A broker acts as a sales force to sell your goods. Unlike a wholesaler/distributor, a broker/agent will not buy your goods from you. Brokers tend to represent several companies at once and have strong contacts with the retail industry. This can help you get listed.

Be aware that you still have to *promote* your product to the retail stores. The wholesaler or broker may help with that job, but it is mainly your responsibility.

Is a broker or distributor right for your business? The Ontario Ministry of Agriculture, Food and Rural Affairs has developed a Food Broker – Distributer Information Sheet that will help you answer that question (http://www.omafra.gov.on.ca/english/new/food-broker-dist.htm).

The Agriculture Council of Saskatchewan has developed a series of guides to help food processors enter the grocery retail industry.

Canadian Grocery Retail Guide Section 1: Size Demographics Characteristics and Customer Profiles provide a survey of the various types of food retailers (http://www.saskvaluechain.ca/CGRGSection1/index.html).

Canadian Grocery Retail Guide Section 6: Brokers and Distributors provide information on how brokers and distributors assist food processors (http://www.saskvaluechain.ca/CGRGSection6/index.html).

Canadian Grocery Retail Guide Section 4: Understanding the Foodservice Distributor provide information on how foodservice distributors are key links in the foodservice supply link (http://www.saskvaluechain.ca/CFIGSection4/index.html).

Finding a Broker

Canadian Retail Grocery Industry

Many of the largest retail grocers (and the general merchandise chains who also carry groceries) can be found as members of the Retail Council of Canada (http://www.retailcouncil.org/) and are their own distributors. Many of the independent grocers can be found as members of the Canadian Federation of Independent Grocers (http://www.cfig.ca/).

Internet Search

Find a broker by searching the online Yellow Pages (http://www.yellowpages.ca/) or food.ca, a nationwide information portal for the food industry in Canada (http://food_beverages.food.ca/canada_brokers_wholesalers_and_distributors_food.html).

You can get lists of brokers for the United States from the Grocery Manufacturers Association:

1350 Eye (I) Street NW
Washington, DC 20005
Phone: 202-639-5900
Fax: 202-639-5932
Email: info@gmaonline.org
http://www.gmaonline.org/

Getting Your Product Listed

Being "listed" means that a retailer (and often a wholesaler) has decided to put your product on their list. In most cases, chain store operators purchase at least 60 per cent of the products they carry from their wholesalers' pre-approved lists. Smaller, independent stores operating outside of a chain may have more leeway to buy from a variety of suppliers.

Getting a listing in a large retail chain is not a simple process. Generally, to make room for a new product, the store will bump another product off the shelf ("delist" it) or assign less shelf space to another product.

You need to convince the buyer that your product is unique so they will put you in the store. You will also have to provide specific product/market information that shows how the product will succeed in the marketplace and bring more benefit to the retailer than a competing product.

Although national brands and private label products dominate the shelves in traditional grocery stores, there are opportunities for smaller businesses to enter the retail market. But to do so you must have a unique, quality product that meets consumer demands.

The Agriculture Council of Saskatchewan has produced a series of Canadian grocery retail guides that provide detailed information about getting and staying listed:

- Sales Strategies for the Grocery Industry by Market Channel or Segment, helps food processors identify appropriate retailers http://www.saskvaluechain.ca/CGRGSection5/index.html
- Account Maintenance: How Not To Be Category Managed Off the Shelf, tells you how to be a successful supplier http://www.saskvaluechain.ca/CGRGSection12/index.html
- Retails Programs: What Are They? What Do They Cost? How Do They Work? looks at a wide range of food retailer programs http://www.saskvaluechain.ca/CGRGSection8/index.html

Exporting to Other Provinces and Countries

Through Ontario Food Exports (OFEX), the Ontario Ministry of Agriculture, Food and Rural Affairs helps food and beverage companies identify and maximize their export opportunities (http://www.omafra.gov.on.ca/english/food/export/index.html).

Ontario's team of Export Marketing Officers provide advice and market information to help you become export ready (http://www.omafra.gov.on.ca/english/food/staff/export.htm).

CHECKLIST

- I have researched how my competitors are distributing their products
- I have chosen the best way to distribute my products
- I have prepared a list of the information required by retailers and brokers for my product
- I have talked to the retailers to see if I can get product listings with them
- I have started looking for a broker if one is required

Section 5.2 Pricing Your Product

The fourth "P" of marketing is pricing.

Price plays an important role in consumers' purchasing decisions. Some people are looking for the lowest possible price; others equate a premium price with a better-quality product. The research you did for your business plan should have indicated what your customer is willing to pay for a product like yours. Keep that in mind as you set a final price on your product.

In this section you will learn:

- About pricing practices in food retail
- Commonly used trade terms

Pricing Practices in Food Retail

When you sell to food retail stores, you do not have total control over how your product is priced on the shelf.

If you are selling through retail, you need to clearly understand how retail practices will affect your pricing and the revenues your business will be able to generate. The following will help you understand common retail pricing practices:

Deals and Allowances

Deals and allowances are special price breaks you give to motivate retailers to list or promote your product.

Although most distributors and retailers pass on these savings to the shopper, this is not always the case. You may be able to recommend the ultimate retail price, but you cannot control it.

Private Label Products

Private label products are sold under the store's own name, or a name made up just for that store.

These products give you an alternative opportunity to access the food retail market. If a retail buyer wants your product for their private label line, they will expect you to quote a net price that is your final, bottom line cost of an item with a cash discount. The retailer will typically determine the retail pricing.

Club Warehouses

Club warehouses and stores offer foods under "everyday low pricing" programs. These outlets will expect you to quote a net price for your product: that's your final, bottom line price. It includes all discounts and fees.

Commonly Used Trade Terms

Listing Fees

These are normally single payments made to retailers or distributors to encourage them to carry your products. The listing fee consists of a one-time set-up cost for administration, warehousing, computer listing, quality control, and consumer advertising.

Listing fees are negotiable. The more certain the retailer or distributor is that your product will be successful, the lower the listing fee. However, if your product is not a success, the retailer or distributor will want to recover all initial costs, including the costs of removing the failed product from store shelves and warehouses.

In addition to listing fees, you must support your product with extras such as promotional ads and in-store demonstrations to help you get listed. The retailer will often ask for free goods when you are introducing a new product.

Cash Discount

This is a discount offered for payment of an invoice within a specified number of days from shipment or receipt of goods. The industry standard is 1 per cent to 2 per cent off the invoice if paid in 10 days, or the net invoice payable in 30 days.

Discounts—Leaks and Swells

This is a general allowance that's given to offset the cost of product shrinkage or damage within cases.

Damaged Goods

Damaged product is usually returned within a certain time for compensation or sent to a reclamation centre (central warehouse). The supplier is billed via a debit note on a monthly basis.

Guaranteed Sale

If a product is risky or its potential success is questionable, the buyer will usually expect you to guarantee the sale of the product. You must agree to repurchase any unsold portion of the initial order. However, if the product is perishable, e.g., produce or meat, the buyer will normally absorb the risk and take responsibility for the entire lot.

Price Protection

Market conditions might fluctuate so that the product price declines and becomes lower than the price you originally quoted. If this happens, you are expected to compensate the retailer for any stock they are left holding.

However, if market prices increase, buyers will expect you to give sufficient notice so that they can purchase product in advance of the price increase.

Many retailers will not accept price increases in November and December, because this is their busiest time.

Product Liability Insurance

Most major distributors and retailers will insist that you carry insurance against lawsuits if consumers become ill or injured after consuming your product (see Liability and Insurance in Section 2.1 for more information).

Co-operative Advertising

You pay a percentage of the invoice price to the retailer or distributor to cover some of their costs for advertising your product. Generally 2 to 5 per cent of the invoice value is used for co-op advertising, however, this can vary.

Some retailers may offer you a promotional package promotion. These packages and advertisements costs are set once a year and listed by retailers for suppliers. Most retailers book ads up to six months in advance. The promotional package prices are often negotiable, but only if you are already listed with the retailer.

It is important to keep in mind that these co-op advertising funds alone will not pay for all your advertising needs. Additional funds will be needed to cover ad costs.

Suppliers of produce, fresh meats, and bulk foods usually do not pay for co-op advertising. However, they are expected to offer deals or off-invoice allowances to retailers to lower product prices during consumer promotions.

Promotional or Off-invoice Allowance

This is normally a dollars-off-per-case allowance, which lowers the regular cost of the product to the retailer. Suppliers usually offer this allowance three to four times a year.

In general, the trade expects a 10 per cent allowance for a minimum of four weeks. When you offer the allowance, give the retailer a minimum of eight weeks lead time.

Many retailers purchase 80 to 90 per cent of their products on deals over the course of a year. In most cases, the allowance is used in conjunction with other merchandising vehicles such as co-op advertising to achieve in-store merchandising objectives. A retailer will not buy and advertise an item if it does not have an off-invoice allowance.

Ad Cost/Bill-Back

This is an allowance that supplements costs for such retail advertising as co-operative advertising, flyers, newspaper ads, point-of-sale material, and media (radio or TV) within a store group.

Display Allowance

This encourages in-store display activity and is paid to the retailer for all cases ordered and displayed during a specified time. Payment is usually by a separate cheque following proof of performance by the retailer.

Inventory Deal Allowances of Free Goods

It is good business for you to offer incentives that will encourage retailers to carry your products for the first time. Incentives may include one case free for each store or a case allowance for a certain period (e.g., 60 days after an initial order).

Free Goods

"One free with 10" means order 11 cases, pay for 10. "One free with 3" means order 4 cases, pay for 3, etc. To calculate your actual cost, multiply the number of cases paid for by the price per case. Then divide that figure by the number of cases ordered. For example:

One free with 10 at $10.75 per case:

10 x $10.75 = $107.50

$107.50 divided by 11 = $9.77 per case actual cost

Here's an easy reference to see what free goods are worth expressed as a percentage. (The percentages below are rounded off to the nearest 10th):

- 1 free with 2 = 33.3%
- 1 free with 3 = 25%
- 1 free with 5 = 16.7%
- 1 free with 10 = 9.1%
- 1 free with 12 = 7.7%
- 1 free with 20 = 4.7%
- 1 free with 25 = 3.8%

Volume Rebates

Volume rebates, usually 1 to 5 per cent, are based on a percentage of the invoice price paid to the distributor. The volume rebate increases on an incremental increase in sales. The objective is to encourage the distributor to move additional cases over a given period. At the end of this period an adjustment is made on the final payment to reflect the actual cases purchased. This is a retail performance incentive.

Volume rebates, once offered to a retailer, are often difficult to withdraw. Before offering them, you should determine if your competitors are doing so, because rebates are not offered for all product categories. Negotiating skills are critically important in dealing through the retail channel.

Over and Above

On occasion, suppliers may offer allowances such as lump sum payments or per-case rebates "over and above" the originally negotiated arrangements with retailers. This is done to strengthen promotions, clear out inventory at retailer warehouses, or possibly when launching a new product.

Note that retailers welcome over and aboves, but may expect such deals on a consistent basis. You should negotiate over and aboves annually, and the activity provided by the retailer in return for the allowance should be determined in advance of payment.

You might also want to request confirmation that a particular deal or discount was passed on to the consumer. Ask if the retailer is willing to provide proof of performance, such as a copy of newspaper advertising or pictures of large or end displays. This material will be useful when you are selling to other retailers or promoting your products to independent stores.

Truckload Allowance/Minimum Delivery Size

You may wish to offer a purchaser a discount for taking an entire truckload of product. For example, you could offer $1,000 off a 45,000 lb. truckload, worked through to a per-case saving that will vary depending on the weight of the case.

The Agriculture Council of Saskatchewan has developed a series of guides to help food processors enter the grocery retail industry. This one provides information about costing programs and pricing strategies.

Canadian Grocery Retail Guide: Costing Programs and Pricing Strategies http://www.saskvaluechain.ca/CGRGSection9/index.html

CHECKLIST

- I have researched my competitors' prices for similar products.
- I know what price my potential consumer is willing to pay.
- I know which pricing strategy and program aligns with my business and marketing strategy.
- I have tracked the variable and fixed costs for my product(s).
- I have calculated the break-even point at current prices.
- I know how changing my price will affect my profit level. I know how increasing volume could increase my profit.

SECTION 6:

Information Technology

Information technology (IT) management should be a key part of any business plan. Your clients, whether they are retail or foodservice partners, or the customers who take home your products are looking for companies who are able to engage with them electronically.

Making IT part of the way you do business is not only expected today, it can save you money and help strengthen your relationship with your customers.

In this section you will learn:

- The IT basics needed to get started
- Business-to-business electronic commerce
- The importance of contingency planning and how to protect and recover your data

IT Basics You Need To Get Started

An Up-to-date Hardware System

If you already have a desktop or notebook computer, it may need to be upgraded for business purposes. Check a computer store to see if your computer has enough memory and that you are using the latest operating system.

The Latest Computer Software

Contact other food manufacturers you know to get recommendations on the software that could work best for you. You may need:

- Customer Relationship Management (CRM) or another enterprise management program to manage your client data, relationships and contacts
- E-business-to-business software, developed by the food industry and now used by many retailers for all types of products and services
- Software for business functions, including sales, ordering, inventory, bookkeeping, etc. There are also software programs available that offer all those functions in one package

You should stay updated on the latest software and hardware available to meet your growing needs.

An Internet Connection

It is ideal to have a high-speed internet connection, if possible, in your area.

An Online Presence

Make it easy for customers and suppliers to find you by getting a domain name based on your company name, such as companyname.com or companyname.ca.

You will need to:

- Search for and register a domain name at Canadian Internet Registration Authority http://www.cira.ca/
- Find out how to register and buy your domain name in Appendix A
- Set up at least one e-mail address. You can also set up several e-mails by company function, such as sales@yourcompany.com and info@yourcompany.com
- Set up a website. If you are technically savvy, you may be able to build your own website using an online template. Or you may need to hire a website designer for the job. Websites do not need to be elaborate; simple ones can be quite affordable and effective. Do some research by talking to other food processors and find out how their websites were established

Social Media Presence

- Establish a presence on a social media platform. By having a social media presence it allows you to engage and network with your customers. There are many social media tools that you can use to help you stay connected with your target market. The more popular ones are Facebook, Twitter, LinkedIn, Instagram and YouTube. It is up to you to choose the tools that work best for your business. Regular and consistent participation on your chosen social media sites will help you build your brand loyalty and reputation.
- Direct your staff on how and when to use social media. You may need to develop strategies and implement policies on managing your social media accounts.

Technology Risk Management

Every company needs a strong security plan to protect their data. For more details on how to do this please refer to Contingency Planning later in this section.

Other Resources (Performance Measures, Online Tools or Web Performance Tools)

- Website analytics is an online tool that measure, collect, analyze and report on web data for the purpose of understanding visitor's movement on your website. You can find out how many people are visiting your website and what web pages they are looking at.
- Search engine optimization (SEO) is a process to establish a high-ranking placement in a search engine, such as Google or Yahoo, so your customers can find you and your products easier.

Business-to-Business Electronic Commerce

Your product will pass through many steps on its journey from your plant to the consumer. Each of those steps may require some kind of transaction that is tracked by paperwork. For example, when wholesalers decide to buy product from you, they will issue you a purchase order authorizing the sale. Once they have verified the delivery, you can issue them an invoice, and then they will send you a payment confirmation.

For the most part, this paperwork is all done electronically. This passing of information back and forth between businesses is called business-to-business e-commerce (electronic commerce).

Several businesses can be involved along the way through supply chain management. This is when a number of companies work together to move a product along (e.g., you, a shipping company, a wholesaler and a retailer).

In order for this journey to go smoothly, all the links in the supply chain need to be able to communicate effectively with each other. One way to ensure that your business-to-business e-commerce will work is by adhering to global standards already in use by other businesses and countries.

GS1

For over 35 years, the GS1 System of global supply chain standards has been transforming the way organizations worldwide communicate and work together. These voluntary standards ensure effective exchanges between companies around the world (http://www.gs1.org/about/overview).

GS1 Canada

GS1 Canada is the recognized GS1 member organization for Canada, enabling its more than 20,000 members to enhance their competitiveness and cost effectiveness by adopting the GS1 System of standards and best practices for supply chains (http://www.gs1ca.org/home.asp).

The GS1 System includes the following:

- **Bar Code** (also known as Electronic Products Codes or EPCs) are the most well-known GS1 standard, accounting for over six billion scanning transactions per day. Bar codes allow larger retailers to scan and track your products (http://www.gs1ca.org/page.asp?LSM=0&intNodeID=82&intPageID=347).
- **eCom** are standards for electronic business messaging that allow rapid, efficient, and accurate electronic transmission between trading partners. This includes such things as purchase orders, ship-to notices and payment confirmation information.

- **GDSN** (Global Data Synchronization Network) are standards for the secure and continuous exchange of accurate, standardized data between trading partners.
- **GS1 EPCglobal** is a new global standards system that combines radio frequency identification (RFID) technology, existing communications network infrastructure, and the bar code to enable immediate and automatic identification and tracking of an item through the whole supply chain, globally.

Learn about GS1 at http://www.gs1ca.org/page.asp?LSM=0&intNodeID=1&intPageID=380

Contingency Planning – Security Breaches and Data Recovery

What if your business encountered one of these scenarios?

- A major storm, flood, or fire destroyed your office and all of your files.
- Your computer network went down for days and you could not access email or the information on your hard drive(s).
- A computer virus wiped out your network.
- A hacker gained access to your customers' private information.

How quickly could your company recover from a serious data loss, if at all?

Imagine if you lost days or weeks of work, your client database and telephone numbers, financial records and all of the work files your company has ever produced or compiled.

What about your reputation when your customers find out that you failed to protect their confidential information?

The cost of losing that information or being without it for an extended period of time is hard to accurately measure because it affects so many aspects of a business. There are direct costs of repairing and restoring data, and the indirect costs of lost productivity, lost sales and lost confidence by your customers.

How to Protect and Recover Your Data

It is important to develop an emergency recovery plan that you can rely on to keep your business safe.

Business continuity is the range of activities a company performs to ensure that critical business functions will be available to customers, suppliers, regulators and anyone else who needs them. These activities include daily tasks such as project management, system backups, and more. Business continuity is not something to be implemented at the time of a disaster; it should be performed daily to maintain service, consistency and recoverability.

If you are backing up data to external hard drives or USB devices, then recovering from a drive failure can be time consuming. That is assuming you have been backing everything up correctly and have all of your program software and license keys on hand during the recovery.

Automatic back up of data to a "cloud" or DropBox is more common and eliminates having to keep external drives or USB devices in a safe place. Using the cloud or Dropbox also makes recovery of information easier and less time consuming.

"Cloud backup" simply means that your data is hosted in a remote data centre that lives on the Internet.

Business continuity solutions send copies of your data over an Internet connection to a server in a secure vault. In the event of a disaster, all your data will still be there, safe and sound.

You can find companies that provide these services by searching for business continuity solutions online. Talk to other food processors you know to see who they recommend.

Protection against Hackers, Viruses, and Spyware

There are a wide variety of software programs available to protect your business from hackers, viruses and spies. Talk to a consultant at your local computer centre about what will work for you. This article from the RCMP also contains valuable information on the subject (http://www.rcmp-grc.gc.ca/pubs/cc-report-rapport-cc-eng.htm).

CHECKLIST

- I have a computer with an up-to-date operating system and sufficient memory.
- I have researched the software I will need and am acquiring it.
- I have a high-speed Internet connection.
- I have researched a domain name for my business and have it registered.
- I have set up e-mails with my domain name.
- I am researching the possibility of a website/ web presence.
- I have identified how to make my supply chain management GSI compliant.
- I have a method to back up my data; I also have an emergency recovery plan.

SECTION 7:

Human Resources

If your business is very small, you may be able to run it by yourself. But chances are you are going to need employees. The staff you hire for your business is called human resources.

You will need your employees to have certain skills, to be committed to your business, and to be able to work together as a team. You will also need to know how to find those employees, what to pay them, and what it takes to keep them.

In this section you will learn:

- How to assess your employment needs
- Methods to recruit and interview
- How business immigration can help you
- About skills development
- Government incentive programs
- Employment law

Assessing Your Employment Needs

Before you hire anyone, take a look at every area of your business. Be sure to include all core operations: marketing and sales, administrative functions, operations and more. Make a list of the skills needed in each area.

Now determine who would be best to do those functions. You may be able to do some yourself, others could be done by short-term contractors and others may require full- or part-time staff.

Write a thorough job description for every role that will require a new hire. Be sure the description includes:

- Qualifications and experience required
- Detailed description of the job itself (see Service Canada Human Resources Management for Employers for information on how to analyze and write job descriptions http://www.jobsetc.gc.ca/eng/home-accueil.jsp)
- Personal attributes required (e.g., valid driver's license, work independently, lead a team, be a self-starter, follow detailed instructions)

Talk to your industry contacts to determine the going pay scale for each role.

The Government of Canada's website, Working in Canada allows you to research current wages and provides information by occupation or location (http://www.workingincanada.gc.ca/home-eng.do?lang=eng).

Recruiting and Interviewing

Recruiting

Successful recruiting requires careful planning and selection. You do not want to make the costly mistake of hiring someone who is unsuited to the job, or who cannot be trained to do the job.

Traditional recruiting methods include word of mouth, newspaper ads and employment agencies and more recently online job postings. Websites that offer this option do not usually provide a screening service, so you must review all of the applications, not just those that meet the job's specifications. You can also hire an agency that can screen potential workers and refer them to you for a fee. Look for recruiters in your area that specialize in the food and beverage industry.

When deciding which recruitment method to use, weigh the cost in both dollars and time. If each interview takes a lot of time, it is not cost effective to see 150 applicants for a single job advertised in the newspaper. Using an agency or electronic labour exchange that will pre-screen applicants will narrow the choice for you.

Recruitment resources for food processing

- **Job Bank:** This free, government-run website allows you to list your jobs, find a student intern, and see who's looking for work http://www.jobbank.gc.ca/home-eng.do?lang=eng&source=jb.

- **Co-op students and job fairs:** You can also hire co-op students who are enrolled in co-operative education programs at a secondary or post-secondary institution. These are generally short-term placements of approximately four months.

  Many education institutions organize job fairs where employers can promote opportunities for students and new graduates. Check out Ontario Universities' 3 day Fair where each of Ontario's 21 universities exhibit at booths (http://www.ouf.ca/).

  Another great fair is the National Job Fair and Training Expo, which is a multi-sector recruitment event (http://www.thenationaljobfair.com/n/en/home/).

- **Existing employees:** After you are in operation for a short time, start asking existing employees to source talent from their own networks. Referrals are a good source of external hires, and they have a 25 per cent higher retention rate.

Interviewing

A face-to-face interview is your opportunity to assess if someone has the skills, experience and personal qualities you require.

Interview questions must not discriminate against candidates. Questions about name changes, race, age, family status and marital status, must not be used. The Canadian Human Rights Commission (http://www.chrc-ccdp.ca/) has a Guide to Screening and Selection in Employment which can help develop interview questions to assess applicants appropriately (http://www.chrc-ccdp.ca/sites/default/files/screen_1.pdf.

After reviewing resumes and conducting interviews you will have a short-list of potential candidates for the job. If you have business partners, it may be a good idea to have them interview the candidate as well, so you have more than one point of view before you hire.

Business Immigration

In some cases, Ontario companies cannot fill their human resources needs within Canada and may choose to recruit foreign workers in order to fill labour shortages.

The Ontario Ministry of Economic Development, Employment and Infrastructure (http://www.investinontario.com/en/Pages/business_immigration.aspx) provides a variety of services to Ontario-based companies looking to recruit foreign workers, as well as international corporations establishing or expanding operations in Ontario.

Deciding to immigrate to Canada is a big decision. Ontario Immigration provides support to immigrants making the move to Ontario (http://www.ontarioimmigration.ca/en/).

Temporary Foreign Worker Program

Only Canadian citizens and permanent residents have the right to work in Canada. Anyone who is not a Canadian or Canadian permanent resident must obtain authorization from Citizenship and Immigration Canada (CIC) to work in Canada.

Ontario companies who cannot fill their human resources needs within Canada may choose to recruit temporary foreign workers through the Temporary Foreign Worker Program (TFW). TFW is jointly administered by two federal government departments: Service Canada and Citizenship and Immigration Canada (CIC).

In most cases obtaining a temporary work permit is a two-step process:

1. Service Canada is responsible for assessing and confirming employer requests for foreign workers through the Labour Market Impact Assessment (LMIA) Process.
2. CIC determines the admissibility and issues work permits to foreign workers.

A work permit (http://www.investinontario.com/en/Pages/bi_corp_services_faq.aspx) is a document (issued by the federal department of Citizenship and Immigration) that allows a person who is not a permanent resident or Canadian citizen to work temporarily in Canada. Work permits are generally only valid for a specified job and employer as well as for a specific length of time.

Visit the Government of Canada's website to find out about the Temporary Foreign Worker Program (http://www.cic.gc.ca/english/hire/worker.asp?_ga=1.66375470.1246446399.1392918981).

Skills Development

You should expect to provide training for your staff. You may need to do this when they are first hired to ensure they know your policies and processes. Also, be prepared to continue to provide training so that staff can keep up with changing technology and policies. Training is essential to employee satisfaction; it can help reduce turnover.

Training for food and beverage processing: Training is offered by:

- Food Processing Human Resources Council (http://www.fphrc.ca/en/default.aspx),
- The Craig Richardson Institute of Food Processing Technology (http://www.ifpt.ca/index.php),
- Excellence in Manufacturing Consortium (http://www.emccanada.org/).

There are also a number of private companies and organizations that offer training courses. You can search the web or speak to others in the food business for suggestions.

For a listing of secondary institutes that offer food specific educational programs see the Ontario Ministry of Training, Colleges and Universities (http://www.ontario.ca/education-and-training/go-college-or-university-ontario).

Sector-specific training: You may also want to contact sector organizations to see what training they offer. You can also look into custom training solution providers for in-house courses.

General business training: Other information sources are post-secondary institutes that offer courses for food processing business in areas such as marketing or human resources.

See Appendix A for more information.

Incentive Programs for Hiring and Retaining Employees

There are incentives available for hiring and training food processing employees. For more information and links to various funding programs and support services in Ontario see the Ontario Ministry of Agriculture, Food and Rural Affairs' website (http://www.omafra.gov.on.ca/english/food/industry/funding-prog-index.htm).

To know more about summer jobs for students in Ontario, visit (http://www.ontario.ca/jobs-and-employment/summer-jobs-students).

The following sites provide information on federal programs:

Apprenticeship Job Creation Tax Credit (AJCTC): This is a federal incentive program designed to help employers offset the cost of hiring and training employees who have entered into an apprenticeship contract (http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns409-485/412/jctc-eng.html).

Hire a Student! Service Canada can help you fill summer positions with students (http://www.servicecanada.gc.ca/eng/epb/yi/yep/programs/hire_student.shtml).

Young Canada Works: (YCW) (http://www.pch.gc.ca/special/jct-ycw/index-eng.cfm). YCW sponsors three summer job programs: YCW for Aboriginal Urban Youth, YCW in Heritage Organizations, and YCW in Both Official Languages. Indian and Northern Affairs Canada provides funding through the First Nations and Inuit Youth Work Experience Program for secondary and post-secondary students (http://www.aadnc-aandc.gc.ca/eng/1100100033607/1100100033608).

Summer Jobs: is a federal program that supports hiring youth. Applications from employers are due each year before the end of February (http://www.servicecanada.gc.ca/eng/epb/yi/yep/newprog/summer.shtml).

Youth Employment Program (part of Industrial Research Assistance Program): Food manufacturing companies that are looking to develop new products or improve their technical production processes may qualify for funding to hire an intern through the Industrial Research Assistance Program. This program provides financial assistance to innovative Canadian small and medium-sized enterprises to hire post-secondary graduates to work on innovation projects (http://www.nrc-cnrc.gc.ca/eng/irap/services/youth_initiatives.html).

Hiring Credit for Small Business: The federal government's budget includes a temporary hiring credit of up to $1,000 against a small employer's increase in its year over year EI premiums. This temporary credit will be available to approximately 525,000 employers whose total EI premiums were at or below $10,000, to reduce their total payroll costs (http://www.cra-arc.gc.ca/gncy/bdgt/2011/qa17-eng.html).

Employment Law

Occupational Health and Safety

Federal and provincial regulations are in place to keep all workers healthy and safe on the job.

You can find out more about the laws you need to follow from the Canada Business Network. It includes information from many sources, including the federal, provincial and territorial governments (http://www.canadabusiness.ca/eng/page/2837//).

You will need to register with the Workplace Safety and Insurance Board for workplace insurance coverage in the event a work-related injury occurs (http://www.wsib.on.ca/).

Workplace Safety and Prevention Services (WSPS) provides risk management solutions and offers health and safety expertise for small businesses. The focus is primarily on agricultural, industrial/manufacturing and service sectors (http://www.wsps.ca/About-Us/Overview).

More information on general laws that apply to all businesses can be found at:

- Ontario Ministry of Labour Employment Standards (http://www.labour.gov.on.ca/english/es/index.php)
- Ontario Ministry of Labour Health and Safety (http://www.labour.gov.on.ca/english/hs/)
- Federal Workplace Health and Safety Regulations (http://www.hrsdc.gc.ca/eng/labour/health_safety/index.shtml)
- Canadian National Centre for Occupational Health and Safety (http://www.ccohs.ca/)

Payroll Deductions and Remittances

In addition to paying your employees on a regular basis (including vacations, statutory holidays, and other mandatory leaves), you will need to provide them with income tax declarations and deduction information. You will also need to make regular contribution payments to the federal and provincial governments on behalf of your employees and yourself as well.

Employers are responsible for deducting, remitting and reporting payroll deductions. Canada Revenue Agency has guides online that can assist small businesses comply with regulatory requirements (http://www.cra-arc.gc.ca/tx/bsnss/sm/menu-eng.html).

CHECKLIST

- I have determined what type of staff I require (full-time, part-time, contractors).
- I have analyzed the costs of employee benefits (including CPP and any proposed benefits) and administrative overheads (salary administration, amenities, insurance).
- I have written detailed job descriptions for each position.
- I have decided if I can do my own recruiting or if I need to hire a recruiting firm.
- I have advertised the positions that need to be filled.
- I have contacted CRA to register as an employer and to get my payroll number.
- I have taken a payroll course or retained a bookkeeper experienced in payroll implementation.
- I have registered with the Workplace Safety and Insurance Board.
- I am prepared to recruit, screen and hire employees or contractors.
- I am ready to implement any required training, including on safety issues.

SECTION 8:

Sustainability & Corporate Social Responsibility

Sustainability and corporate social responsibility (CSR) are terms that reflect how businesses are involved with the world around them, including people and the environment.

More and more, consumers expect businesses to act in ways that are environmentally sustainable and socially responsible. You will need to consider both these factors for your business.

In this section you will learn:

- What sustainability and CSR mean to business
- The benefits of having sustainability and CSR programs
- How to implement those programs

What Sustainability and CSR Mean to Business

Sustainability is about finding ways to conduct your business without impairing the needs of future generations or negatively impacting our natural environment. Examples include:

- Managing inputs to minimize your footprint, utility costs and waste
- Using recyclable packaging
- Sourcing local ingredients
- Following a system of first re-using, then reducing, and then recycling

Corporate Social Responsibility (CSR) means taking responsibility for your company's actions and having a positive impact on the world around you. This can include tying charitable donations to marketing to increase the visibility of your positive contributions.

Sustainability and CSR can build a positive reputation for your business. Increasingly, companies are joining together to improve working and environmental conditions in global supply chains, as well as seeking recognition and certification for their sustainability and CSR efforts.

Benefits of Sustainability and CSR Programs

Developing programs in sustainability and CSR for your food business involves:

- Understanding how these programs create value, reduce costs and create a competitive advantage
- Creating a strategic plan to become lean, clean and green
- Connecting with your customers about sustainability
- Measuring your progress

Done well, a company's approach creates value by:

- Reducing costs and returning cost savings to the bottom line
- Making it easy to meet government environment laws and avoid future regulation
- Addressing consumer concerns and reducing risks of brand damage (e.g., avoiding negative publicity because of use of child labour)
- Increasing community connections
- Engaging employees
- Allowing the company's shareholders to contribute to charity and create the changes they want to see in their world

Cost savings: Only one-third of the energy (e.g., electricity, gas) that a typical food manufacturer pays for actually goes into the products that they make; the rest is wasted and simply adds to costs. The way your business uses energy and water has an enormous impact on your bottom line. Sustainability lowers costs, so it is a win for you, your supply chain partners, your customers and the environment.

Competitive advantage: You may have wholesale clients (retailers) that want you to take action on sustainability. Some retailers believe that firms must either become sustainable or lose their customers. These retailers may actively monitor their suppliers for things like continuous reduction in packaging waste.

Implementing Sustainability and CSR Programs

How to Get Lean

Being lean is not about making a product cheaper. It is about avoiding unnecessary costs and eliminating unproductive waste. Check out OMAFRA's *Leaner and Cleaner is Greener* to help you manage input costs and waste http://www.emccanada.org/group_spaces/energy/documents/leanerandcleaner853operator39sprimerapril2013pdf

You can look at other organizations in your community that use energy inputs efficiently or connect with contacts made through industry associations. Join the Excellence in Manufacturing Consortium (EMC); they can link you to resources and best practices, and connect you to other peer businesses (http://www.emccanada.org/).

Consider getting a coach. The Provision Coalition (http://www.provisioncoalition.com/Home) can provide sustainability coaching for packaging and manufacturing. Taking the time to talk to professionals may cost you up front, but the money you spend can provide a solid return.

How to Get Clean

Protect your brand. Consumers today are concerned about issues such as child labour, fair trade, farming methods and product origins. What your customers think about your brand is extremely important; a marketable and clean image can help ensure your brand's success.

Consider your production facilities. Consider how your consumers will view your processing facility. Can it be operated in a sustainable manner that is also cost effective?

Think long term about safety, sustainability, and CSR. Consumer choice is often driven by low prices however, things like product integrity and fair trade can command a premium. Products with a brand that are valued by consumers are often priced 20 per cent above "no name" products. Good sustainability and CSR messaging can contribute to your brand's value.

Know what retailers expect. Producers, processors and retailers all need to make money to stay in business. They want greener and cleaner products for their shelves; products with less risk, lower transport costs and lower weight packaging.

How to Get Green

Being green is all about how you make your product. Since 1999, the Dow Jones Sustainability Index has proven that companies who manage the details of sustainability are profit leaders (http://www.sustainability-index.com/).

Partners in Project Green

Partners in Project Green (PPG) is an organization that brings sustainability solutions that drive real business benefits. PPG provide critical knowledge, effective programs and access to a community of like-minded peers. PPG helps businesses in the Pearson Eco-Business Zone unlock collaborative advantage and extract maximum value from pursuing sustainability excellence in the areas of energy performance, waste management, water stewardship and stakeholder engagement.

PPG's online Green Vendor Directory includes everything from waste management providers and energy management companies, to green technology developers and investors (http://www.partnersinprojectgreen.com/resources/green-vendor-directory).

Manage your internal footprint. Knowing the footprint of your products within the whole supply chain starts with knowing how each product is made and what carbon it generates. A lower-cost, smallest-footprint product will position you to compete well in the market.

Get verification. Have a third party verify that you meet an objective standard. This will validate your sustainability and make you more credible to buyers. For example, carbon reduction and utility cost savings can be done through utility tracking, which is linked to product costing models. Once your internal footprint is managed, it is easier to understand your supply chain footprint and get third-party verification.

There are programs available that address specific areas like carbon footprint verification, paying ingredient suppliers reasonable wages (Fair Trade certified), and using environmentally friendly practices (organic certification). These programs generally have cost and compliance/audit requirements. However, the margin gains you make by improving your sustainability should offset the initial cost of compliance.

Avoid greenwashing. Making green claims for a product without being committed to sustainability is a challenge for companies that want to use sustainability as a marketing tool. Only 5 per cent of products that claim to be green actually are verifiable, and of those only 30 per cent avoid these types of greenwashing:

- Having a hidden trade-off (the label claims to not contain one "bad" ingredient or packaging feature, but neglects to point out another equally "bad" feature contained in the product)
- No proof for a claim
- Vagueness, including references that suggest a claim
- Irrelevance (e.g., claiming apples are cholesterol-free, when all apples are naturally cholesterol-free)
- Claiming the lesser of two evils (such as being organic but grown where a rainforest once stood)
- Claiming fair trade ingredients but being over packaged

Check for Retailer Support

All retailers have their own take on sustainability and CSR. Coordinating your approach to work with their programming can boost the strength of your marketing.

Look for Supply Chain Support

Check out these examples of retailers committed to Corporate Social Responsibility:

1. CSR at Loblaw – http://www.loblaw-reports.ca/responsibility/2012/index.php
2. Sobeys – http://sobeyscorporate.com/en/Social-Responsibility/Sustainability.aspx
3. Walmart 2014 Global Sustainability Report – http://www.corporatereport.com/walmart/2014/grr/

CHECKLIST

- I have identified the sustainability and CSR factors that matter most to my suppliers and customers (e.g., reduced packaging, fair trade, organic, locally sourced, reduced carbon footprint)
- I have an energy and water efficiency management tracking system in my facility
- I have talked to other organizations about how to be lean, clean, and green
- I know the carbon footprint of every step in my supply chain, and am researching ways to reduce it
- I am looking into getting third party verification for my sustainability efforts
- I am considering which charities or environmental organizations my business could support

APPENDIX A – HELPFUL LINKS

This Appendix is organized by categories in alphabetical order to help you quickly find information on your topic of interest. A Table of Contents is provided for convenience.

Please note:
The Ontario Ministry of Agriculture, Food and Rural Affairs does not endorse the information nor promote the use of any consultant or firm contained in this Appendix. The ministry also does not verify any qualifications, representations or claims made by the individuals or corporations listed. The Appendix is provided free of charge and for information purposes only and is not intended to be exhaustive. It is the responsibility of the person using this resource to conduct their own research to determine how this information will help them grow their business.

Table of Contents

Business Plan Resources and Business Incubators

The following organizations and websites provide useful information for researching and writing your business plan.

- Business Development Bank of Canada – Business Plan template – http://www.bdc.ca/EN/articles-tools/entrepreneur-toolkit/templates-business-guides/Pages/business-plan-template.aspx
- Business Planning software – http://www.liveplan.com/ and http://www.businessplanpro.com/
- Canada Business Network – http://www.canadabusiness.ca/eng/page/2856//
- CIBC – Your Guide to Business Planning – www.cibc.com/ca/small-business/article-tools/business-planning.html
- MaRS – planning tools/templates for business planning, including how to identify investors and an entrepreneur toolkit – http://www.marsdd.com/mars-library/
- Ontario Small Business Enterprise Centres – https://www.ontario.ca/business-and-economy/small-business-advice-support-services-regulations
- Ontario Summer Company Business Plan – business plan template for the Ontario Summer Company program – http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RDR&TAB=PROFILE&SRCH=&ENV=WWE&TIT=summer+company&NO=009-0021E
- Royal Bank of Canada – Starting a Business Resource Centre – www.rbcroyalbank.com/sme/create-plan/business-plans.html
- TD/Canada Trust – Business Planner for Small Business – www.tdcanadatrust.com/smallbusiness/windocs.jsp

Business Incubators

- Manning Canning Kitchens Scarborough, Ontario – http://www.manningcanning.com/manning-canning-kitchens/
- Northumberland County – Opportunities for Agribusiness – http://www.welcometonorthumberland.ca/en/doingbusiness/opportunitiesforagribusiness.asp
- The Roux Commissary – http://rouxcommissary.com/what-we-do/
- The Toronto Food Business Incubator – http://www.foodstarter.ca/

Finance

The following organizations and website provide information to help you access financing for your food business.

Major Chartered Banks in Canada	Website
BMO Bank of Montreal	www.bmo.com
Canadian Imperial Bank of Canada (CIBC)	www.cibc.com
National Bank	www.nbc.ca
Royal Bank of Canada (RBC)	www.rbc.com
Scotia Bank	www.scotiabank.com
TD Bank Group	www.td.com

Government Financial Institutions	Website
Business Development Bank of Canada	www.bdc.ca
Canadian Commercial Corporation	www.ccc.ca
Export Development Canada	www.edc.ca
Farm Credit Canada	www.fcc.ca

Other Business Financing	Website
Aboriginal Business Canada	https://www.aadnc-aandc.gc.ca/eng/1100100032796/1100100032800
Canadian Financing & Leasing Association	www.cfla-acfl.ca/
Canadian Venture Capital Association	http://www.cvca.ca/membership/member-directory/
National Angel Capital Organization	www.nacocanada.com/

- Canadian Bankers Association – www.cba.ca
- Canada Business Network – Government Grants and Financing – http://www.canadabusiness.ca/eng/page/2848/
- Industry Canada – Financing Your Business – http://www.ic.gc.ca/eic/site/icgc.nsf/eng/06957.html#q=financing%20your%20business
- Stock Quotes (Yahoo Finance) – http://finance.yahoo.com
- Toronto Stock Exchange – http://www.tmx.com/

Food Safety, Traceability and Recall

The following organizations and websites provide useful information to help you with your food safety, traceability and recall programs for your food business.

Information Regarding Food Safety at the Federal Level

- Canadian Food Inspection Agency – http://www.inspection.gc.ca/
  - Food Allergies and Allergen Labelling – Information for Consumers – http://www.inspection.gc.ca/food/consumer-centre/food-safety-tips/labelling-food-packaging-and-storage/allergen/eng/1332442914456/1332442980290
  - Food Safety Enhancement Program (FSEP) for federally registered facilities – http://www.inspection.gc.ca/food/fsep-haccp/eng/1299855874288/1299859914238
  - Guide to Food Safety – http://www.inspection.gc.ca/food/non-federallyregistered/guidelines/guide/eng/1352824546303/1352824822033
  - Recall Notices – http://www.inspection.gc.ca/about-the-cfia/newsroom/food-recalls-and-allergy-alerts/eng/1299076382077/1299076493846
  - Recall Process – http://www.inspection.gc.ca/about-the-cfia/newsroom/food-safety-system/food-recalls/eng/1332206599275/1332207914673
- Health Canada – http://www.hc-sc.gc.ca/index-eng.php
  - Allergen Control – http://www.hc-sc.gc.ca/fn-an/securit/allerg/fa-aa/index-eng.php
  - List of Ingredients and Allergens – http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/list-of-ingredients-and-allergens/eng/1383612857522/1383612932341?chap=0
  - Recalling Consumer Products – A Guide for Industry – http://www.hc-sc.gc.ca/cps-spc/pubs/indust/recalling-guide-2005-04-rappel-eng.php
- Public Health Agency of Canada
  - Food Borne Illnesses – http://www.phac-aspc.gc.ca/efwd-emoha/efbi-emoa-eng.php

Information Regarding Food Safety at the Provincial Level

Ontario Ministry of Agriculture, Food and Rural Affairs

- Food Safety – www.ontario.ca/foodsafety
  call a Food Safety Advisor at 1-877-424-1300 or email foodsafety@ontario.ca
- Food safety for Food Processors – http://www.omafra.gov.on.ca/english/food/foodsafety/processors/index.html
- Traceability – http://www.ontario.ca/traceability

Food Safety Industry Tools

- Global Food Safety Initiative – http://www.mygfsi.com/

Human Resources and Training

The following organizations and websites provide information to help you plan your human resources needs, recruitment and training plans.

Strategic Leadership

- Harvard Business Review – The New Psychology of Strategic Leadership – http://hbr.org/2011/07/the-new-psychology-of-strategic-leadership/ar/1
- Wikipedia – Strategic Leadership – http://en.wikipedia.org/wiki/Strategic_leadership
- Strategic Leadership Forum – http://strategicleadershipforum.camp9.org/

Human Resources

- Canada Business: Hiring and Managing Staff – http://www.canadabusiness.ca/eng/page/2720/
- Canada Revenue Agency: Payroll Deductions and Remittances – http://www.cra-arc.gc.ca/tx/bsnss/sm/menu-eng.html
- Canadian Human Rights Commission: Guide to Screening and Selection in Employment – http://www.chrc-ccdp.ca/sites/default/files/screen_1.pdf
- Food Processing Human Resources Council – http://www.fphrc.ca/en/default.aspx
- Government of Canada – research current wages and provides information by occupation or location – http://www.workingincanada.gc.ca/home-eng.do?lang=eng
- Human Resources and Skills Development Canada – http://www.hrsdc.gc.ca/eng/home.shtml
- Service Canada: HR Management for Employers – http://www.jobsetc.gc.ca/eng/home-accueil.jsp

Recruitment

- AgriSeek.com (Canadian Recruiters) – http://www.agriseek.com/work/e/Employment/Food/z/Canada/Ontario
- Food Management Search (U.S. Recruiters) – www.foodmanagementsearch.com

Foreign Workers Recruitment

- Government of Canada – http://www.cic.gc.ca/english/hire/worker.asp?_ga=1.66375470.1246446399.1392918981
- Ontario Immigration – http://www.ontarioimmigration.ca/en/working/OI_HOW_WORK_JOB.html

  http://www.ontarioimmigration.ca/en/pnp/OI_PNPWORKERS.html
- Ontario Ministry of Economic Development, Employment and Infrastructure – http://www.ontarioimmigration.ca/en/pnp/OI_PNPINVESTORS.html
- Work Permit information – http://www.workpermit.com/canada/provincial-nominee-program/ontario.htm

Education and Training

Education

- Ontario Institutions offering Educational Programs in the Food Sector – http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/institutions.htm
- Ontario's Ministry of Training, Colleges and Universities – http://www.ontario.ca/education-and-training/go-college-or-university-ontario

General Training

- Forum for International Trade Training – http://www.fitt.ca/en/Home

Food and Beverage Specific Training

- Excellence in Manufacturing Consortium – training events/networking – http://www.emccanada.org/
- International Dairy Foods Association – Events/Seminar Calendar (HACCP, Ice Cream Technology, Dairy Cost Accounting) – www.idfa.org/events--trade-show/interactive-event-calendar/
- International Dairy Deli Bakery Association (Merchandising, Cheese Pairings, Selling Cheese at Retail, Food Safety) – http://www.iddba.org/education.aspx

Job Boards and Fairs

- CPG Connect – job board and networking site exclusively for Consumer Packaged Goods Professionals in Canada – http://cpgconnect.ca/
- Government of Canada – list your jobs, find a student intern, and see who's looking for employment – http://www.jobbank.gc.ca/home-eng.do?lang=eng&source=jb
- Ontario Universities' job fair – http://www.ouf.ca/
- National Job Fair and Training Expo, which is a multi-sector recruitment event – http://www.thenationaljobfair.com/n/en/home/

Incentive Programs for Hiring and Retaining Employees

Federal

- Apprenticeship Job Creation Tax Credit (AJCTC) – http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns409-485/412/jctc-eng.html
- Indian and Northern Affairs Canada for secondary and post-secondary students – http://www.aadnc-aandc.gc.ca/eng/1100100033607/1100100033608
- Summer jobs for students in Canada – http://www.servicecanada.gc.ca/eng/epb/yi/yep/programs/hire_student.shtml
- Summer Jobs – http://www.servicecanada.gc.ca/eng/epb/yi/yep/newprog/summer.shtml

- Temporary Hiring Credit for Small Businesses – http://www.cra-arc.gc.ca/gncy/bdgt/2011/qa17-eng.html
- Young Canada Works (YCW) – http://www.pch.gc.ca/special/jct-ycw/index-eng.cfm
- Youth Employment Program – http://www.nrc-cnrc.gc.ca/eng/irap/services/youth_initiatives.html

Provincial

- Ontario Ministry of Agriculture, Food and Rural Affairs – http://www.omafra.gov.on.ca/english/food/industry/funding-prog-index.htm
- Summer jobs for students in Ontario – http://www.ontario.ca/jobs-and-employment/summer-jobs-students

Occupational Health and Safety

- Canada Business Network – http://www.canadabusiness.ca/eng/page/2837//
- Canadian National Centre for Occupational Health and Safety – http://www.ccohs.ca/
- Federal Workplace Health and Safety Regulations – http://www.hrsdc.gc.ca/eng/labour/health_safety/index.shtml
- Ontario Ministry of Labour Health and Safety – http://www.labour.gov.on.ca/english/hs/
- Workplace Safety and Insurance Board – http://www.wsib.on.ca/
- Workplace Safety & Prevention Services (WSPS) – http://www.wsps.ca/About-Us/Overview

Industry Overview

The following organizations and websites provide helpful information and statistics on the food and beverage manufacturing sectors.

- Agriculture and Agri-Food Canada: Processed Food and Beverages – http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/processed-food-and-beverages/?id=1361290991391
- Agriculture and Agri-Food Canada: Statistics and Market Information by Product – http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/?id=1361289956531
- Canadian Manufacturing: Canadian Packaging – http://www.canadianmanufacturing.com/packaging
- Canadian Manufacturing: Food in Canada – http://www.canadianmanufacturing.com/food
- Euromonitor International – http://www.euromonitor.com/canada
- Global New Products Database – http://www.gnpd.com/sinatra/gnpd/frontpage/
- Ministry of Agriculture, Food and Rural Affairs: Food and Beverage industry – http://www.omafra.gov.on.ca/english/food/investment/learn-about-fb-ind.html
- Ministry of Agriculture, Food and Rural Affairs: Food and Beverage Sector Associations – http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/associations.htm
- Planet Retail – http://www1.planetretail.net/

Information Technology

The following websites provide information on how to use information technology to help you get connected to your customers as well as protecting personal information from becoming compromised.

- Canadian Internet Registration Authority (search and register a domain name) – http://www.cira.ca/
- GS1 Bar Codes – allow larger retailers to scan and track products – http://www.gs1ca.org/page.asp?LSM=0&intNodeID=82&intPageID=347
- GS1 Canada – standards and best practices for supply chains – http://www.gs1ca.org/home.asp
- Top 10 Cyber Crime Prevention Tips – article from the RCMP – http://www.rcmp-grc.gc.ca/tops-opst/tc-ct/cyber-tips-conseils-eng.htm

Social Media	Website
Facebook	https://www.facebook.com/
LinkedIn	http://www.linkedin.com/
Pinterest	https://www.pinterest.com/
Twitter	https://twitter.com/
Yahoo Groups	http://ca.groups.yahoo.com/
YouTube	http://www.youtube.com/

Labelling Requirements

The following organizations and websites provide information related to labelling requirements for Canada and the United States.

Labelling in Canada

Canadian Food Inspection Agency

- Allergen Control – http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/list-of-ingredients-and-allergens/eng/1383612857522/1383612932341
- Basic Labelling – http://www.inspection.gc.ca/food/labelling/eng/1299879892810/1299879939872
- Bilingual Labelling – http://www.inspection.gc.ca/food/labelling/core-requirements/bilingual/eng/1328121549968/1328121616816?chap=2#s4c2
- Food Labelling – http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939

- Frequently Asked Questions on "Product of Canada" and "Made in Canada" – http://www.inspection.gc.ca/english/fssa/labeti/prodcan/queste.shtml
- Health Claims – http://www.inspection.gc.ca/english/fssa/labeti/insthse.shtml
- Nutrition Labelling Toolkit – http://www.alimentheque.com/divers/NutritionLabellingToolKit_CFIA.pdf
- Nutrient Content Claims (making a nutrient health claim on a label) – http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/nutrient-content/eng/1389905941652/1389905991605
- Origin Claim – http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/origin/eng/1393622222140/1393622515592

Health Canada

- Developing Nutrition Panel Data – http://www.hc-sc.gc.ca/fn-an/nutrition/fiche-nutri-data/index-eng.php
- Guide for Developing Accurate Nutrient Values – http://www.hc-sc.gc.ca/fn-an/alt_formats/hpfb-dgpsa/pdf/label-etiquet/guide-nutri_val_tc-tm-eng.pdf
- Health Claims – http://www.hc-sc.gc.ca/fn-an/label-etiquet/claims-reclam/assess-evalu/index-eng.php

Other Resources

- Alberta's Food Processor's Guide – creating and applying Healthy Eating Messages to labels (contains resource and videos) – http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/cbd13194
- GS1 Canada – http://www.gs1ca.org/pages/n/standards/Barcode_Standards.asp
- GS1 United States – The Global Language of Business – http://www.gs1us.org/
- Packaging Association of Canada – http://pac.ca/
- Standards Council of Canada (SCC) – http://www.scc.ca/en

Labelling in the United States

- United States Food and Drug Administration (U.S. FDA) – http://www.fda.gov/Food/IngredientsPackagingLabeling/default.htm
- U.S. National Nutrient Database – http://ndb.nal.usda.gov/

Food Labelling Software

- NSF – GFTC Food Labelling Services – http://www.gftc.ca/
- Prime Label Consultants – EZ Form, Canada Edition – http://www.primelabel.com/canada.html
- Sweetware – nutraCoster– http://www.sweetware.com/costpage.shtml

Marketing

The following organizations and websites provide resources to help with planning your marketing and advertising campaign.

- Advertising Standards Canada (ASC) regulates the marketing industry to ensure that no advertisement makes a false claim – http://www.adstandards.com/en/
- Brand Canada helps Canadian companies distinguish themselves in the global marketplace by sharing advertising resources – http://www.marquecanadabrand.agr.gc.ca/intro/index-eng.htm
- Canada Business Network – how to conduct a market research project – http://www.canadabusiness.ca/eng/guide/2428/
- Canada Post Direct Mail and Ad-mail – www.canadapost.ca/cpo/mc/business/productsservices/marketing/default.jsf
- CARDonline provides advertising rates, data and media planning information – http://www.cardonline.ca/public/home.jsf
- Direct Farm Marketing Business Resources information for farmers who sell or wish to sell directly to consumers – http://www.omafra.gov.on.ca/english/busdev/directfarmmkt/index.html
- Foreign Affairs and International Trade Canada: Market Reports – http://www.infoexport.gc.ca/eng/market-report-access.jsp
- Guide to Online Reputation Management – http://www.destinationbc.ca/getattachment/Programs/Guides-Workshops-and-Webinars/Guides/Tourism-Business-Essentials-Guides/Online-Reputation-TBE-Guide-July-2013.pdf.aspx
- Marketing Programs at Ontario educational institutions – http://www.ontariocolleges.ca/SearchResults/BUSINESS-FINANCE-ADMINISTRATION-MARKETING/_/N-li1b
- Market Research Handbook – http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?lang=eng&catno=63-224-X
- The National List of Advertisers (NLA) lists companies and organizations that advertise in Canadian media – http://www.cardonline.ca/public/subscribeNla.jsf
- Ontario Ministry of Agriculture, Food and Rural Affairs provides support for existing Ontario food processors to grow their business – http://www.omafra.gov.on.ca/english/food/business-development/food-processing/growing.htm
- Ontario Food Exports (OFEX) helps food and beverage companies identify and maximize their export opportunities – http://www.omafra.gov.on.ca/english/food/export/index.html
- OFEX's team of Export Marketing Officers provide advice and market information to help you become export ready – http://www.omafra.gov.on.ca/english/food/staff/export.htm
- Promotional Programs and Marketing Support – http://www.saskvaluechain.ca/CGRGSection11/index.html

Publications	Website
E-marketer Digital Magazine	www.emarketer.com
Marketing Blogs List	www.adage.com/power150
Marketing Magazine	www.marketingmag.ca/
Strategy Magazine	www.strategyonline.ca

Additional Marketing Resources and Support	Website
Canadian Agri-Marketing Association	www.cama.org
Canadian Grocery Retail Guide: Costing Programs and Pricing Strategies	http://www.saskvaluechain.ca/CGRGSection9/index.html
Canadian Institute of Marketing	www.professionalmarketer.ca/
Canadian Marketing Association	www.the-cma.org
Canadian Professional Sales Association	www.cpsa.com
Direct Marketing Association of Toronto	www.directmac.org/
Direct Sellers Association of Canada	www.dsa.ca
Greenbelt Foundation	http://www.greenbeltfresh.ca/
GS1 Canada	www.gs1ca.org

Networking

The following organizations and websites provide information which will help you network and make the right connections for your food business.

Organizations	Website
Alternative Places to Network	http://www.entrepreneur.com/marketing/marketingideas/article198452.html
Business Advisors	http://www.ic.gc.ca/eic/site/ccc_bt-rec_ec.nsf/eng/h_00007.html
Canada Business Network	http://www.canadabusiness.ca/eng/page/2856//
Canadian Association of Family Enterprise/CAFE	http://www.cafecanada.ca/gta
Canadian Council for Aboriginal Business	http://www.ccab.com
Canadian Federation of Independent Business	http://www.cfib-fcei.ca/english/index.html
Canadaone	http://www.canadaone.com/
Entrepreneur.com	http://www.entrepreneur.com/marketing/networking/article196758.html
Flying Solo	http://www.flyingsolo.com.au/marketing/business-networking/effective-networking
Food Industry Associations	http://www.omafra.gov.on.ca/english/food/industry/food_proc_guide_html/associations.htm
Foreign Affairs and International Trade Canada	http://www.tradecommissioner.gc.ca/eng/businesswomen/home.jsp
Ontario Network of Entrepreneurs	http://www.onebusiness.ca/
SOHO: Small Office/Home Office	http://www.soho.ca/
The Business and Professional Women's Club of Ontario	http://www.bpwontario.org
Women Entrepreneurs of Canada	http://sbinfocanada.about.com/cs/womeninbusiness/a/womenissues1.htm

Product Development

The following organizations and websites provide information to help you with product development and food preservation and processing.

Product Development Laboratories

Organization	Website and/or E-mail	Description
Compusense	www.compusense.com	sensory evaluation, product development, investigative quality control services, time-intensity research
Contract Testing Inc.	http://contracttesting.com/	consumer product testing, focus groups, sensory quality maintenance programs
Lipid Analytical Laboratories	www.lipidanalytical.com lipid@bellnet.ca	Analysis and research on lipids (fats)
Maxxam Analytics	www.maxxam.ca food@maxxam.ca	nutritional labelling, chemical analysis, microbiological testing, shelf-life studies, residual testing, foreign matter identification, environmental testing
Merieux NutriSciences	http://www.merieuxnutrisciences.ca/ca/eng silliker@silliker.com	chemical and microbiological analysis, nutritional labelling, quality assurance programs, shelf-life studies, process improvement (GMPs), sensory evaluation, packaging
NSF-GFTC	http://www.gftc.ca/	food analysis, food safety, commodities research, fermentation, packaging, consumer studies, nutrition research, food engineering
Treloar Product Development Inc.	www.treloar.on.ca	product development, technical consultation
The Food Development Group	www.fooddevelopmentgroup.com info@fooddevelopmentgroup.com	Technical support in product development, plant trials, HACCP

- Food in Canada Buyers Guide – http://www.foodincanada.com/buyers-guide
- Industry Canada's Canadian Company Capabilities – ingredient suppliers in Canada – https://www.ic.gc.ca/eic/site/ccc-rec.nsf/eng/home
- Law Society of Upper Canada – to find a business lawyer – http://www.lsuc.on.ca/with.aspx?id=905
- Packaging Consortium – http://www.pac.ca/index.html
- Platform for Supplier Discovery and Product Sourcing – http://www.thomasnet.com/
- Scientific Research and Experimental Development Tax Incentive Program – tax refund to help support product development – http://www.cra-arc.gc.ca/sred/
- Supply Chain Management Association – http://www.scmanational.ca/
- The Canadian Intellectual Property Office – information on getting trademarks, patents, and copyright protections – http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home

Food Preservation and Processing

- Food Microbiology – Clemson University – http://www.foodsafetysite.com/educators/microbiology/microbiology.html
- Food Preservation Methods – Penn State – http://extension.psu.edu/food/preservation/safe-methods
- Food Preservation Methods – Purdue University – https://www.extension.purdue.edu/extmedia/FS/FS-15-W.pdf

Regulations and Services

The following organizations and websites provide information to help you ensure your business meet the required regulations for your food business.

Federal Food Safety Regulations

- Canadian Food Inspection Agency (CFIA): Safe Food for Canada Act (in effect July 2015) – http://www.inspection.gc.ca/about-the-cfia/acts-and-regulations/regulatory-initiatives/sfca/eng/1338796071420/1338796152395
- Food and Drugs Act – http://laws-lois.justice.gc.ca/eng/acts/F-27/

Other Federal Government Regulations and Services

- Business Regulations Guide – http://www.cbo-eco.ca/en/index.cfm/managing/regulations/business-regulations-guide/
- Canada Business Ontario – http://www.cbo-eco.ca/en/
- Canada Border Services Agency – http://www.cbsa-asfc.gc.ca/import/menu-eng.html

- Health Canada's Regulatory Roadmap for Health Products and Food http://www.hc-sc.gc.ca/ahc-asc/activit/strateg/mod/roadmap-feuillederoute/rm-fr-eng.php

Industry Canada

- Authorized service providers for inspection of all measuring devices, such as scales and meters – http://www.ic.gc.ca/eic/site/mc-mc.nsf/eng/lm04264.html
- Measurement Canada – Agency responsible for ensuring the integrity and accuracy of measurement in the Canadian marketplace http://www.ic.gc.ca/eic/site/mc-mc.nsf/eng/Home
- Mandatory inspection frequencies by sector and device type for inspection – http://www.ic.gc.ca/eic/site/mc-mc.nsf/eng/lm04707.html

Provincial Food Safety Regulations

Ontario Ministry of Agriculture, Food and Rural Affairs

- Food Inspection Programs – http://www.omafra.gov.on.ca/english/food/inspection/
- Regulations for the food industry – http://www.omafra.gov.on.ca/english/food/fid_regulations.htm

Ministry of Health and Long term Care

- Food Handler Training – Municipal Public Health Unit Locations (Ontario) – http://www.health.gov.on.ca/en/common/system/services/phu/locations.aspx
- Food Premises Regulation 562 – http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900562_e.html

Other Provincial Government Regulations and Services

- Download Ontario laws – http://www.e-laws.gov.on.ca/
- Farm Products Marketing Commission – http://www.omafra.gov.on.ca/english/farmproducts/index.html
- Milk Act – Ontario Regulation 761 – http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900761_e.htm
- Ministry of the Environment and Climate Change – Environmental Approvals – http://www.ontario.ca/environment-and-energy/environmental-approvals
- ServiceOntario – Access government publications – https://www.publications.serviceontario.ca/pubont/servlet/ecom/MainServlet?selectedLocale=en
- The Alcohol and Gaming Commission of Ontario – http://www.agco.on.ca/en/contact/index.aspx

Municipal Regulations

- List of all 444 Ontario municipalities – http://www.mah.gov.on.ca/Page1591.aspx
- Ontario Municipal Affairs and Housing – http://www.mah.gov.on.ca/Page7393.aspx

Industry

- Dairy Farmers of Ontario – http://www.milk.org/Corporate/View.aspx?Content=Processors/DairyProcessing

US Regulations

- Food Safety and Inspection Service (FSIS) – Exporting to the United States – http://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/importing-products
- United States Food and Drug Administration – All food products entering the United States except meat and poultry – http://www.fda.gov/Food/default.htm
- United States Food and Drug Administration – Importing into the United States – http://www.fda.gov/Food/ResourcesForYou/Industry/ucm366356.htm

Research Sources

The following organizations and websites provide information to help you develop your marketing plans, strategic direction plans and identifying your target markets.

Federal Government	Website
Canada Business Network – Questionnaire Design	canadabusiness.ca/eng/guide/2780/
Canada Business Network – Market Research	canadabusiness.ca/eng/guide/2428/
Canada Business Network – Industry/Sector Data	canadab2usiness.ca/eng/88/192/
Canada Business Network – Statistics Canada directory of statistics	canadabusiness.ca/eng/88/191/
Industry Canada – (Industry/Sector Data)	ic.gc.ca/eic/site/ic-ic.nsf/eng/home
National Research Council Canada	nrc-cnrc.gc.ca/eng/index.html

Provincial Government	Website
Ministry of Government and Consumer Services	doingbusiness.mgs.gov.on.ca/
Ministry of Economic Development, Employment and Infrastructure (Industry/Sector Data)	investinontario.com/en/Pages/_ontario_sectors.aspx

Industry	Website
AC Nielsen	acnielsen.ca
Canadian Trade Index: Canadian Industry Suppliers and their products	ctidirectory.com
Family Business (U.S. Lists)	familybusinessmagazine.com
Forbes	forbes.com/home_usa
Fraser's Online Canadian Industrial Directory	frasers.com/public/home.jsf
Profit 100 Fastest Growing Canadian Companies	profitguide.com/microsite/profit500/2014
Thomas Net: Find your supplier	thomasnet.com/
Times 100 UK – Business Case Studies	businesscasestudies.co.uk/#axzz3PZCV0bQG

Libraries Specializing in Government Publications	Website
Metropolitan Toronto Reference Library	torontopubliclibrary.ca/detail.jsp?Entt=RDMLIB018&R=LIB018
National Science Library	nrc-cnrc.gc.ca/eng/index.html
Statistics Canada Publications	statcan.ca
University of Guelph Library	lib.uoguelph.ca

Paid Food Product Databases

- Euromonitor International – http://www.euromonitor.com/canada
- Global New Products Database – http://www.gnpd.com/sinatra/gnpd/frontpage/

Annual Reports

- SEDAR: System for Electronic Document Analysis & Retrieval for Canadian Companies – www.sedar.com
- U.S. Securities and Exchange Commission; SEC EDGAR Filings Securities Exchange Commission – www.sec.gov
- Yahoo Finance Directories – http://biz.yahoo.com/r

Consumer Information and Demographics

- Print Measurement Bureau – single-source data on print readership, non-print media exposure, product usage and lifestyles – www.pmb.ca/public/e/index.shtml
- United States Census Bureau – www.census.gov
- United States Bureau of Labor Statistics – www.bls.gov

Retail

The following organizations and websites provide information on how to get your products listed in retail stores.

- Brokers, distributors and self-distributing chains – http://food_beverages.food.ca/canada_brokers_wholesalers_and_distributors_food.html
- Broker list of primarily U.S. and some Canadian companies – http://www.careersingrocery.com/brokers-grocery-resource-34.htm
- Canadian Federation of Independent Grocers – http://www.cfig.ca/
- Canadian Grocer – http://www.canadiangrocer.com/
- Canadian Grocer Magazine – http://www.canadiangrocer.com/wp-content/uploads/2010/12/2011-Whos-Who-form.pdf
- Canadian Restaurant and Foodservice Association – http://buyersguide.restaurantscanada.org/companies/
- Directory of Restaurant and Fast Food Chains in Canada – http://www.mondayreport.ca/mondayreport/drffc.cfm
- Food Broker – Distributer Information Sheet – http://www.omafra.gov.on.ca/english/new/food-broker-dist.htm
- Global Agricultural Information Network – report which describes the broker structure in Canada including a listing of brokers with offices in Ontario and/or Quebec – http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agent%20and%20Broker%20Directory%20-%20Central%20Canada_Ottawa_Canada_5-2-2011.pdf
- Retail Council of Canada – http://www.retailcouncil.org/
- Retail Food Sector Report – http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Ottawa_Canada_3-9-2012.pdf
- Retail Industry Research (Ryerson University) – www.csca.ryerson.ca/Publications.html
- United States Foreign Agricultural Service provides a directory of agents/brokers in Central Canada – http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agent%20and%20Broker%20Directory%20-%20Central%20Canada_Ottawa_Canada_5-2-2011.pdf

Saskatchewan Grocery Retail and Foodservice Value Chain Initiative

- Account Maintenance—How Not To Be Category Managed Off the Shelf – http://www.saskvaluechain.ca/CGRGSection12/index.html
- Brand Building and Private Label Brands – http://www.saskvaluechain.ca/CGRGSection4/index.html
- Costing Programs and Pricing Strategies – http://www.saskvaluechain.ca/CGRGSection9/index.html
- Foodservice Value Chain Initiative – http://www.saskvaluechain.ca/foodserviceguides.htm

- Grocery Retail Value Chain Initiative – http://www.saskvaluechain.ca/retailguides.htm
- Retails Programs—What Are They? What Do They Cost? How Do They Work? – http://www.saskvaluechain.ca/CGRGSection8/index.html
- Size Demographic Characteristics and Customer Profiles – http://www.saskvaluechain.ca/CGRGSection1/index.html
- Sales Strategies for the Grocery Industry by Market Channel or Segment – http://www.saskvaluechain.ca/CGRGSection5/index.html

Self-Assessment and Start-up Assistance

The following organizations and websites provide information that can help you assess your entrepreneurial skills and business readiness as well as provide guidance on where to source general business start-up information.

Self-Assessment	Website
Business Development Bank of Canada	bdc.ca/EN/advice_centre/tools/entrepreneurial_self_assessment/Pages/entrepreneurial_self_assessment.aspx
Canada Business Network (Is Entrepreneurship Right for You?)	canadabusiness.ca/eng/125/107/
Canada Business Network (Developing Your Idea)	canadabusiness.ca/eng/125/106/
Community Futures Development Corporations	oacfdc.com/index.php/public-information
Human Resources and Skills Development Canada	hrsdc.gc.ca/eng/home.shtml
My Own Business – evaluating the potential of a business (online course)	myownbusiness.org/s1/index.html
Ontario Small Business Enterprise Centres	ontario.ca/business-and-economy/small-business-enterprise-centre-locations
Royal Bank of Canada (Business development checklist)	rbcroyalbank.com/sme/getting-ready/start-up.html
Start Your Own – Globe and Mail	v1.theglobeandmail.com/startyourown/
Service Ontario	ontario.ca/business-and-economy/small-business-advice-support-services-regulations

Startup Assistance	Website
Aboriginal Affairs and Northern Development Canada	aadnc-aandc.gc.ca/eng/1375201178602/1375202816581
BizPal	bizpal.ca/en/
Canada Youth Business Foundation	cybf.ca/
Insurance Bureau of Canada – Business insurance	ibc.ca/on/
Insurance Bureau of Canada – Managing Risk	ibc.ca/on/business/risk-management
OMAFRA On-Farm Value-Added Products or Services	omafra.gov.on.ca/english/busdev/diversifyfarmbus/valueadded.htm?utm_source=shortlinks&utm_medium=web&utm_campaign=e996

Sustainability and CSR Programs

The following websites provide information to help you know more about sustainability and Corporate Social Responsibility.

- Canadian Professional Sustainability Institute – http://cpsinstitute.wix.com/test
- Dow Jones Sustainability Index – http://www.sustainability-index.com/
- Excellence in Manufacturing Consortiums (EMC) – learn to become lean by networking and training through EMC – http://www.emccanada.org/
- *Going for the Green* is an excellent low cost small business manufacturing guide – www.goingforthegreen.net
- Global Social Compliance Program – a business driven program for the continuous improvement of working and environmental conditions in global supply chains – www.gscpnet.com/
- Natural Resources Canada (NRCan) – information on energy efficiency and energy efficient equipment – http://oee.nrcan.gc.ca/publications/infosource/home/index.cfm
- Provision Coalition – http://www.provisioncoalition.com/Home
- *Partners in Project Green* (Green Vendor Directory) – http://www.partnersinprojectgreen.com/resources/green-vendor-directory
- The Philips Corporation sustainability agreement – http://www.philips.com/about/sustainability/oursustainabilityfocus/suppliersustainability.page

Sustainability & CSR Certifications	Website
ISEAL Alliance	http://www.isealalliance.org/

Standards of Production – *Input Suppliers*	Website
Bird-Friendly	http://nationalzoo.si.edu/SCBI/MigratoryBirds/Coffee/
Fair Trade	http://fairtrade.ca/
Rainforest Alliance	www.rainforest-alliance.org/
Forest Stewardship Council	https://ca.fsc.org/

Company & Product Standards	Website
Carbon Footprint/Counting	www.carboncounted.com/
Local Food Plus	http://www.localfoodplus.ca/
Organic	www.inspection.gc.ca/food/organic-products/eng/1300139461200/1300140373901
Sustainable Packaging Council	http://www.sustainablepackaging.org/

Leading Retailers – *Committed to Sustainability and CSR*	Website
Loblaw Companies Limited	http://www.loblaw.ca/files/6.%20Responsibility/Loblaw_eng_2013_CSR_May_20.pdf
Sobeys	http://www.sobeyssustainability.com/en/home.aspx
Walmart	http://corporate.walmart.com/global-responsibility/environment-sustainability

Trade Journals

The following websites of trade journals will help you find general industry information as well as information specific to the food industry and its sub-sectors.

General	Website	Telephone No.
Canadian Business	–	800-465-0700
Plant	www.plant.ca/	416-764-2000
Profit Guide.com	http://www.profitguide.com/	–

Food Industry	Website	Telephone No.
Canadian Grocer	www.canadiangrocer.com	800-268-9119
Canadian Manufacturing: Food in Canada	http://www.canadianmanufacturing.com/food	416-442-5600
Canadian Manufacturing: Canadian Packaging	http://www.canadianmanufacturing.com/packaging	866-543-7888
Fancy Food (US)	www.fancyfoodmagazine.com	312-849-2220
Food Distribution (US)	–	561-447-0810
The Food Institute Report (US)	www.foodinstitute.com	201-791-5570
Food Processing (US)	www.foodprocessing.com	630-467-1300
Food Technology	www.ift.org	312-782-8424
Foodservice & Hospitality	www.foodserviceworld.com	416-447-0888
Gourmet News (US)	www.gourmetnews.com	207-846-0600
The Gourmet Retailer (US)	www.gourmetretailer.com	305-446-3388
International Food Marketing & Technology	www.harnisch.com/en/media-information/	+49-0-911-2018-0
Ontario Restaurant News	www.can-restaurantnews.com/ontario	905-206-0150
Packaging Digest (US)	www.packagingdigest.com	630-288-8000
Prepared Foods (US)	www.preparedfoods.com	630-616-0200

Food Industry	Website	Telephone No.
Progressive Grocer	www.progressivegrocer.com	646-654-7258
Western Grocer and Restaurant	www.mercury.mb.ca	204-954-2085
Whole Foods Magazine	www.wholefoodsmagazine.com/	908-769-1160

Sub Sector Specific – bakery, food buying, meat, poultry, milling and snack	Website	Telephone No.
Bakers Journal	www.bakersjournal.com	519-582-2513
Beverage World (US)	www.beverageworld.com	847-763-9050
Canada Poultryman	www.agannex.com/canadian-poultry	519-582-2513
Dairy Foods (US)	www.dairyfoods.com	630-616-0200
Manufacturing Confectioner (US)	www.gomc.com	201-652-2655
Oils and Fats International (UK)	www.oilsandfatsinternational.com	+44-0-1737-768611
Perishable Pundit (US)	www.PerishablePundit.com	561-994-1118
Poultry Briefs	www.devalkconsulting.com	613-739-7850
Produce Business (US)	www.ProduceBusiness.com	561-994-1118
SOS Publishing	www.sosland.com	816-756-1000

For more information:
Phone toll free: 1-877-424-1300
Email: ag.info.omafra@ontario.ca

Also available in French.

PROTECTING OUR ENVIRONMENT
Ontario