

Alberta Food and Beverage Manufacturing Industries in 2008

Food and Beverage Manufacturing Sales

In 2008, the value of all goods manufactured in Alberta totalled \$70.1 billion, an increase of 8.4 per cent over 2007 (\$64.7 billion). The province's food and beverage processing industries generated \$11.7 billion in sales, representing the third largest manufacturing sector after petroleum and coal products industries at 24.3 per cent and chemicals industries at 18.9 per cent. On a national basis, three provinces accounted for just over 78.0 per cent of Canadian food and beverage sales of \$87.6 billion: Ontario (40.6 per cent), Quebec (24.3 per cent) and Alberta (13.3 per cent). Alberta remains the top producer of red meat products in Canada at \$4.4 billion or 43.2 per cent of the national total (\$10.1 billion).

In 2008, Canadian manufacturing firms generated \$604.7 billion in goods produced, a moderate increase of 1.1 per cent over 2007. Although manufacturing activity trended higher in recent years, annual increases since 2005 have remained below 2.0 per cent. At \$97.3 billion, transportation equipment industries (includes aerospace and automotive manufacturing), comprised the largest manufacturing sector (16.1 per cent). Food and beverage processing industries ranked second largest at 14.5 per cent. Following a 3.1 per cent gain in 2007, processing sales grew 9.2 per cent in 2008, reaching another record high of \$87.6 billion.

The 2008 Economy – Food and Beverage Industries and the Consumer

With the onset of a global recession in late 2008, Canadian food and beverage manufacturing industries experienced many of the same challenges as the broader economy. The recession has resulted in rising unemployment, fluctuating commodity prices, declines in international trade, lower real gross domestic product, depressed capital investment levels and decreased domestic demand. Currency exchange rates, energy prices and supply/ingredient prices were even more volatile throughout 2008 than during the previous year. As a consequence, food manufacturers have passed on many increases in their selling prices to consumers. Faced with an uncertain outlook for the future, consumers have cut back on luxury expenses and nonessential purchases in favor of less expensive alternatives. These changing consumer buying habits have translated into shifts in demand for certain products. For example, consumers have begun to spend less at restaurants, choosing to eat meals at home instead. When consumers do dine out, they are more likely to purchase cheaper alternatives such as fast food. On the retail side, supermarket profits are being squeezed as consumers are purchasing less expensive brands and are shopping for bargains. To some degree, this trend is being partially offset with an increased emphasis on healthier alternatives such as natural, organic and ethical foods. Pricier health food products are expanding from niche markets into more mainstream diets.

Per Capita Food Consumption (based on data that has been adjusted for retail, household, cooking and plate loss).

During the last decade (1999-2008), the Canadian diet has changed to increased consumption of:

- fruits (up 9.1 per cent)
- alcoholic beverages particularly wine (up 3.6 per cent)
- coffee (up 3.5 per cent) and tea (up 37.3 per cent)
- cheeses (up 3.7 per cent)
- poultry (up 12.7 per cent)
- mutton and lamb (up 32.4 per cent)
- rice (up 63.7 per cent)
- breakfast food (up 8.8 per cent)
- pulses and nuts (up 13.2 per cent).

In contrast, per capita consumption of several food items were lower, notably for:

- vegetables (down 7.4 per cent)
- soft drinks (down 26.1 per cent)
- fluid milk (down 6.6 per cent)
- eggs (down 4.6 per cent)
- beef (down 10.0 per cent)
- pork (down 21.9 per cent)
- fats and oils (down 14.6 per cent)
- fish (down 3.7 per cent).

Alberta's food and beverage production activity continues to be dominated by meat product processing (livestock and poultry slaughtering, processing and rendering). This sector generated 48.1 per cent (\$5.6 billion) of food and beverage sales in 2008 (\$11.7 billion). Grain and oilseed milling accounted for 14.8 per cent (\$1.7 billion), animal food including feed manufacturing for 5.1 per cent (\$599.7 million), beverage manufacturing for 6.6 per cent (\$776.8 million) and other food (including snack foods) for 5.3 per cent (\$619.0 million). The remaining 20.1 per cent (\$2.3 billion) was distributed among miscellaneous food manufacturing (dairy products, bakeries and tortilla manufacturing, sugar and confectionery products, fruit and vegetable preserving, seafood products and specialty foods).

Following two consecutive increases, Alberta food and beverage sales rose 17.7 per cent in 2008 to a record \$11.7 billion. This gain was the largest reported since 2000 (15.2 per cent). While sales for food industries were up 20.8 per cent, beverage sales dropped 13.5 per cent, the largest decline in the last decade. Breweries, wineries and distilleries recorded a 10.9 per cent decline and manufacturing of soft drinks fell even more by 16.3 per cent. The improvement in food industries was led by a 54.7 per cent increase in grain and oilseed milling which hit a record \$1.7 billion. This was the second consecutive year of double-digit growth (25.0 per cent in 2007). The majority of growth in milling was attributable to price increases (particularly in the first part of 2008) and the remainder to volume. The province's largest processing sector of meat products (including poultry), reported its best performance in nine years posting an increase of 13.3 per cent to total \$5.6 billion. After decreases in 2006 and 2007, red meat processing sales recovered in 2008 with a gain of 15.8 per cent to total \$4.4 billion. Poultry processing and rendering sales (\$1.3 billion) grew at a slower pace of 5.3 per cent. Other food sectors experienced improved sales in 2008 including animal food including feed manufacturing (3.2 per cent) and other food manufacturing including snack foods (8.4 per cent).

Employment in Food and Beverage Manufacturing Industries

During the last decade (1999-2008), the number of Canadians employed in food and beverage processing industries peaked in 2004 at 306,700. Two successive decreases in 2005 and 2006 were reported totalling a loss of 20,800 jobs. However, in 2007 and 2008, employment improved with gains of 5,500 and 5,100, respectively. The 2008 total of 296,500 employees were mostly concentrated in Ontario at 116,500 (39.3 per cent), followed by Quebec at 76,000 (25.6 per cent), British Columbia at 30,700 (10.4 per cent) and Alberta at 24,500 (8.3 per cent).

Alberta food and beverage processing industries remain the province's largest manufacturing sector. In 2008, 24,500 Albertans were employed in these industries, accounting for 17.0 per cent of provincial manufacturing workers (144,100). During recent years, employment has moved lower from a record 28,000 in 2002 to 24,500 by 2008.

Representing 44.0 per cent of total food manufacturing employees in 2008, meat products industries continue to dominate the food sector. Employment in these industries peaked in 2002 at 13,600. However, during successive years, levels have trended downwards. The most significant job loss occurred in 2007 at 26.3 per cent (or 3,500 jobs lost). A further decline of 3.1 per cent was reported in 2008 to total 9,500, the lowest level since 2001. While Alberta's meat processing sector experienced lower employment levels, job gains were recorded in all other food industries. Representing 12,100 Albertans in 2008, employment for all other food industries increased 10.0 per cent, the third consecutive annual increase.

Exports of Food and Beverage Products (Including Feed)

Following three consecutive years of annual declines, Alberta's level of exported food and beverage products (including animal feeds) jumped 23.8 per cent in 2008 to \$2.7 billion. Exports of these products accounted for 33.2 per cent of total 2008 agri-food exports (\$8.1 billion). This was lower than the proportion of 43.4 per cent recorded ten years ago. Much of the gain in 2008 was due to increased exports of beef and veal, the province's largest food export commodity (43.7 per cent of total food exports). Beef and veal exports dropped to \$887.1 million in 2007, the lowest level since 1997. However in 2008, exports recovered with a gain of 20.4 per cent to total \$1.1 billion.

Average Weekly Earnings for Food Manufacturing Industries

In 2008, Albertans continued to experience the highest average weekly earnings (including overtime) in Canada. Alberta wages averaged \$923.41, an increase of 6.0 per cent over 2007 (\$871.27). Ontario ranked second highest at \$837.47 (up 2.2 per cent) followed by British Columbia at \$790.97 (up 2.7 per cent). On a national basis, earnings rose 2.8 per cent to \$810.45.

Albertans working in the manufacturing sector earned an average of \$1,065.87 per week in 2008, 5.8 per cent higher than a year ago. At \$798.10, wages for food manufacturing employees were the second highest in Canada after Ontario at \$812.43. The majority of provinces reported lower average food wages in 2008. Alberta posted a decline of 4.3 per cent following an increase of 7.3 per cent in 2007. Food wages at the Canada level (\$764.14) dropped 4.0 per cent.