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Québec, a Breeding Ground for Innovation

Québec, a Leader in Food Safety

Québec invites you to the table

Investing in Québec, a Natural Choice

The Quebec food industry, A WORLD OF KNOW_HOW



As a leading employer in Québec's manufacturing sector, the food processing industry is distinguished by a growth rate of nearly 20% over the last five years, with sales figure exceeding \$17 billion and with more than 150 000 jobs, 72 000 of them direct.

Diversified in structure, the industry counts about 1300 establishments, 850 of which are chiefly involved in industrial processing. Many of them are, in fact, known internationally, such as Olymel, Saputo, Brochu-Lafleur, Industries Lassonde, Aliments Carrière, Unibroue and Biscuits Leclerc. The industry's structure is also characterized by the predominance of small and medium-sized businesses, as well as artisan enterprises that make use of the wealth of home-grown products. For their part, modern and dynamic cooperatives account for more than 25% of the industry's sales figure.

With a population of 7.4 million and a gross domestic product of over \$200 billion, Québec is among the top 20 industrialized states in the Organisation for Economic Co-operation and Development (OECD). The size of Québec's economy is comparable to that of Switzerland or Sweden.

Numerous multinationals are also established in Québec, such as Groupe Danone, Barry Callebaut, Nestlé, Unilever, Parmalat and Kraft Foods.

A competitive business environment

Québec's food processing policy, the first government policy specifically devoted to the industry, was developed in cooperation with all players in the agri-food sector. Aimed at supporting business growth, it has three main thrusts: market access, business innovation and productivity, and investment growth.

Bolstered by the government's intention to support cutting-edge sectors, Québec offers exceptional conditions for investment. Montréal and Québec are top among North American and European cities with the lowest business set-up and operating costs.

Know-how and innovation
The processing of agricultural and aquacultural products for purposes other than food is also a sector with high development potential. Biotechnologies developed in Québec and the resulting products in particular, completely biodegradable coating and packing products, fermentation probiotics, and biopolymer, enzyme, collagen and coloring extraction are making major breakthroughs worldwide.

Advantageous corporate taxation, financing sources specific to the food sector and abundant venture capital foster innovation and technology transfer. The industrial, scientific and technical environment in which small, medium and large businesses develop in Québec encourages partnership, networking and alliances for research and development of new added-value products and services.

Commercial exchanges in an open economy

Québec has become a front-line exporter because of its enviable location and its economic ties with the United States and Europe. Its food product exports, whether processed or not, are constantly growing and now total \$3.5 billion. Moreover, the food industry's trade balance has been positive since 1997, and is now estimated to be about \$500 million.

In this favourable and globalized environment, the Québec food industry has adapted and diversified, with the result that its products and methods are now found in over 150 countries.

The Québec food processing industry holds a highly desirable position in Canada and North America. It ranks 10th among states or provinces in North America in terms of jobs. Its contribution to Québec's manufacturing activity is around 10%, and it accounts for nearly one-quarter of Canadian shipments. In addition, 85% of producer value goes through the processing industry before reaching markets.

Thanks to the North American Free Trade Agreement, Québec's market consists of 400 million people, one of the largest and most demanding in the world. Nearly 75% of Québec food product exports are destined for the United States.





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Québec, A BREEDING GROUND FOR INNOVATION

Businesses and innovation

For businesses, innovation means "the development and application of new ideas, commercial practices and technologies" aimed at creating added value. Innovation begins with an invention and a concept. Its value is maximized for the business at the commercialization stage.

Innovation must therefore have an economic objective that means added value for the business and the customers. From that standpoint, it is considered an engine of competitiveness between businesses and a stimulus of productivity. In that sense, innovation galvanizes major interest and acts as a determining factor in the creation of wealth and the growth of business income.

An environment conducive to innovation

Innovation is, first and foremost, the business of the entrepreneur. Businesses are the protagonists among all the players involved. But a business's capacity to innovate depends on three sets of factors.

The first set of factors is found within the business, i.e. among its own resources. Therefore, its innovation potential is partly tied to the relative importance the business gives innovation.

The second set of factors are external. The density and multiplicity of its relations with the other players in its immediate environment are major determinants. The business finds among those players the additional resources with which to bolster its capacity to innovate. Among those players are university research centres, specialized financing companies and technology transfer agencies.

The third set of factors, which is related to the overall environment, encompasses the general economic, social, political and cultural conditions that define the overall climate, and the "rules of the game" that foster or do not foster business innovation.

A dynamic innovation process

A business must go through a series of stages in successfully completing its innovation project. A systematic assessment determines progress through the stages. The sequence of stages is important, as the human and financial effort required increases significantly at each stage. Moreover, skipping a stage can result in not only significant but needless costs.

Strategic assistance for innovation

Innovation is a complex process, the mastery of which is a factor in competitiveness. However, business needs are so great that businesses cannot act alone. That is why, for many years, Québec has invested to build an environment that supports their action. That environment is composed of institutions of higher learning, a network of research and expertise infrastructures, a college technology transfer network and a tax system that is among the most advantageous in the world for businesses that want to innovate.

But the environment provided to respond to business needs is still complex. Hence, the ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) initiated the Réseau d'accompagnement stratégique à l'industrie alimentaire. It is made up of MAPAQ advisors who assist food processors in all Québec's regions. To this basic core are added all MAPAQ's specialized resources, which benefit from the knowledge of the networks with which they are each associated.





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Québec, A LEADER IN FOOD SAFETY

One of the mandates of the ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) is to ensure the protection of public health and the improvement of animal health, throughout the food chain.

The risk-based food inspection method

The Centre québécois d'inspection des aliments et de santé animale (CQIASA) is responsible for inspecting food establishments. That is an essential activity that makes it possible to evaluate health risks. The method that the CQIASA uses, the "5M method", places food at the forefront. It focuses on a set of critical points that provide precise indications and guarantee food safety, wholesomeness and hygiene. The critical points are as follows: the material, the methods, the manpower, the machinery and the milieu in which the operations are carried out. The method is based on the criteria that underpin HACCP and other food inspection quality assurance approaches.

In Québec, the inspections conducted with a view to ensuring food safety rely on a major element that guarantees success: the collaboration of the operators of agri-food enterprises.

The risk-based inspection method is applied uniformly to all establishments throughout Québec that are subject to food inspection. The food inspection personnel of MAPAQ and the city of Montréal regularly inspect some 68 500 establishments in the food sector.

Food quality

MAPAQ decided, in collaboration with its partners in the agri-food sector, to set up a mechanism for tracing food from the farm to the table. That collaboration also made it possible to develop and implement a Québec strategy for the recognition of food quality assurance systems based on HACCP principles.

FOOD TRACEABILITY

In the wake of recent crises throughout the world in the areas of animal health and food, traceability mechanisms are now inescapable in all industrialized countries. They improve the speed of intervention when animal health or food safety problems arise. Through them, contamination can be rapidly traced to its source and the required steps can be taken to limit its spread, the requirements of consumers in terms of the source of the food they put on their table can be met and the negative economic impact of a crisis on the food sector can be limited.

Québec plans by 2005 to ensure traceability for the entire cattle system, from the farm to the table. It also plans to identify and follow-up on the movements of sheep and pigs, and to begin traceability in a horticultural production sector.

HACCP-BASED QUALITY ASSURANCE

Participants in the Forum sur l'agriculture et l'agroalimentaire québécois agreed on a strategy for the implementation of quality assurance systems at all levels in the food chain. The initiative has made Québec's bio-food industry a leader in North America. The quality assurance systems are based on HACCP principles focusing on the identification of hazards and the control of the related risks. The systems are harmonized and recognized through Québec and Canada, and around the world, and are in keeping with guidelines announced by Québec for:

• the development and implementation of programs or standards recognized by the government;
• the certification of programs or standards established by an impartial, independent body recognized by the government.

These systems constitute an inevitable reference for improving food safety and maintaining Québec's reputation as a supplier of superior quality food on local as well as foreign markets.





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Québec

INVITES YOU TO THE TABLE

A Unique Culture in North America

The seeds of French culture took root in Québec more than 400 years ago, around the time the Spanish and English had begun to colonize the rest of the Western Hemisphere. In those early years, French settlers in « New France » found their Gallic traditions enhanced by those of Québec's other founding cultures, the First Nations (American Indian and Inuit) and the English.

Québec Where Food is Art

Nowhere is Québec's French cultural heritage more obvious than when it comes to food. Like their ancestors from France, Quebecers continue to indulge their passion for fine food and drink. Québec has evolved into a vibrant melting pot of ingredients and cooking techniques – and an important producer of exceptional foods.

A Richly Diverse Geography

Québec boasts a wide variety of environments (some would call them terroirs), teeming with natural resources, including vast fertile plains, boreal forests that cover half its territory, more than 1 million lakes, rugged seacoasts and 3% of the world's total fresh water supply.

A modern Food Industry combining the Best of All Worlds

Recognized as a sophisticated culinary capital, Québec is also an ultra-modern North American entity, where age-old pleasures of the table meet 21st century growing, processing and packaging technologies, responsible environmental controls, and health and food safety standards that are second to none.

Government monitoring and traceability requirements are stringent in Québec, from farm to processing plant to market. Québec is firmly committed to sustainable agriculture, employing advanced procedures that respect air, water and soil quality.

A Strategic Location in the Heart of North America

Because of its strategic geographical location, Québec has long been a major hub for merchandise of all types transiting between Europe, Asia and North America. Whatever the season, marine, road, rail and air links ensure that goods are delivered fast, fresh and priced to sell.

Products Travel the World

Owing to a convergence of favorable factors – including environmentally sound industry policies, tight supervision by the government and a fundamental passion for food – Québec food export sales worldwide continue to enjoy 10% annual growth. Québec producers ship to more than 152 countries.

Made in Québec

The Québec food industry is comprised of a broad range of operations. From the small entrepreneurial, family-owned businesses that characterize Québec's specialty food industry, to Kraft, Nestlé and Saputo, a few of the multinational food giants with facilities there, Québec has earned a reputation as a supplier of healthy, safely prepared products from today's most in-demand categories.

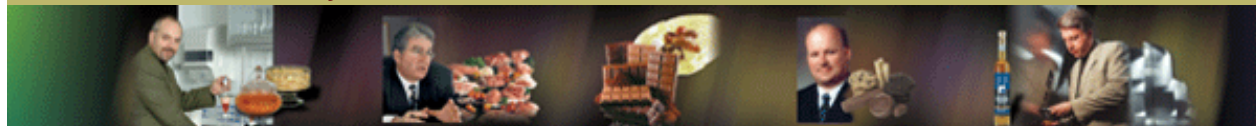
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**Investing in Québec,
A NATURAL CHOICE**

The Québec food industry offers a commercial, scientific and technical environment conducive to innovation, partnership and networkingæall major assets that make Québec a choice setting for businesses. Four good reasons to invest in Québec

▶ **Competitive advantages**

Québec has set-up and operating costs that are among the lowest in North America. According to data from the comparative analysis Competitive Choices, conducted by KPMG, Québec is a top strategic choice for setting up and operating an industrial food and beverage processing plant. Labour and power costs are particularly advantageous.

Quelques données comparatives sur les coûts industriels observés en Amérique du Nord et en Europe

Some comparative data on industrial costs in North America and Europe

Canada Location	Index	United States Location	Index
Montréal	91,9	Atlanta, GA	97,4
Québec	91,8	Boston, MA	103,4
Saguenay	88,6	Chicago, IL	98,9
Québec	91,4	Elsewhere in the world	
Le Canada	92,5	Country	Index
		Germany	99,5
		France	94,4
		Netherlands	92,1

Source: KPMG, *Competitive Choices – Comparison of Corporate Costs in North America, Europe and Japan, G7-2002 edition, January 2002, 67 pages.*

Furthermore, be they agro-inputs or raw material inputs for such nutraceuticals as dairy products, berries and marine foods, Québec's supplies are highly prized for their reliability and quality.

Québec's water resources also constitute a major asset: Québec has more than 30% of Canada's fresh water and about 3% of world reserves

▶ **A distinctive asset: its human capital**

Québec has a qualified and stable labour pool. Dynamic and creative, its labour force enriches the European-inspired culinary tradition with its multiethnic influences.

The sector also benefits from a vocational training network tailored to its needs, with more than 15 000 graduates (of secondary schools, colleges and universities) every year who are ready to use their expertise at all levels of the food industry.

▶ **Québec, a strategic location for investment**

Québec industry is increasingly integrated into the North American economy. Because of its geographic location, Québec provides direct access to a market of over 100 million consumers. Within a 1000-kilometre radius are such large urban centres as Toronto, Boston, New York, Philadelphia, Washington and Detroit, the populations of which have disposable incomes that are among the highest in the world.

► **Services to bolster investment**

The Québec government's food processing policy confirms the enormous importance the government gives this sector of the economy. Having made a commitment to provide support, the government capitalizes on all its development levers, particularly:

- The network of food processing advisors of the ministère de l'Agriculture, des Pêcheries et de l'Alimentation;
- Investissement Québec and its subsidiary, La Financière du Québec, which offers a vast array of financial solutions;
- SGF Soquia, which can act as a minority partner of strategic enterprises;
- Capital Financière agricole inc., for processing projects of interest to the agricultural sector or regional development;
- A tax system favourable to business (advantageous tax rates and R&D tax credits).

A detailed list of the financial measures open to food processing enterprises « Mesures financières disponibles pour les entreprises de transformation alimentaire » is given on MAPAQ's Website, in the « Publications » section

1 The processing firm modeled has 110 employees and a 50 000-square-foot (4650-square-metre) plant in a periurban industrial zone. Its annual sales are US\$26 million and the main factors considered are labour, electricity, transportation, telecommunications, interest and depreciation costs, and income tax and other taxes.



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