

Study to Support Capacity Building and Growth of the Ontario Meat and Poultry Sector



Project Background

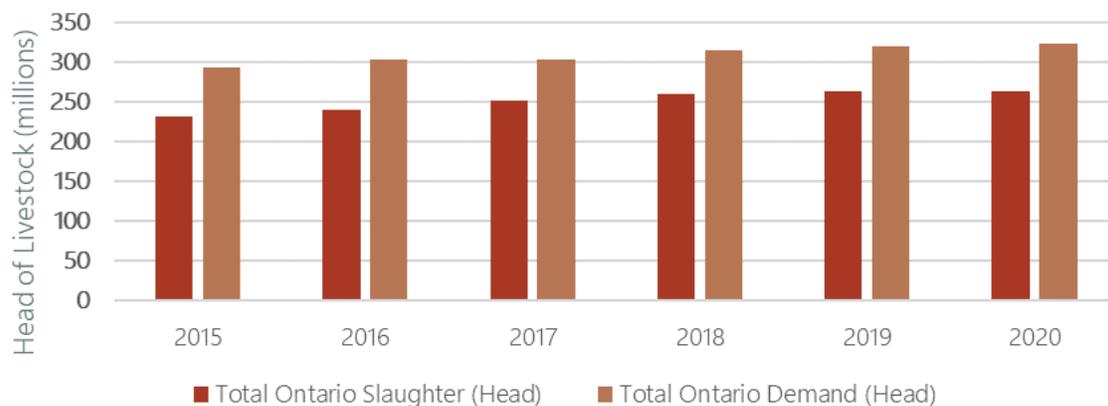
Ontario has experienced a decline in meat and poultry slaughtering capacity. Since 1999, Ontario has lost 54 percent of its meat processing plants. To address the challenge of capacity and establish Ontario as a global leader, Meat & Poultry Ontario ("MPO") developed a growth strategy for the meat and poultry sector ("the Sector").

To support its strategy, MPO engaged MNP LLP ("MNP"), a business advisory firm, to undertake a research study on the potential for capacity growth in the Sector. This involved a review of trends and statistics as well as surveys of Ontario abattoirs and farmers to gather information on slaughtering capacity, supports and growth potential.

Key Sector Trends

- **The Sector is an important contributor to employment and economic activity in Ontario.** The Sector annually generates approximately \$10 billion in revenue and account for 24% of the employment generated by the Ontario's food and beverage processing sector.
- **Between 2010 and 2020, meat slaughtering in provincially inspected plants in Ontario has increased 27%,** from 18.1 million head in 2010 to 23.0 million head in 2020.
- **While meat slaughtering has increased, the number of provincial abattoir licenses in Ontario has declined 23%** over the same time period, from 154 in 2010 to 117 licenses in 2020.
- **While there was growth in slaughtering between 2010 and 2020, total demand (consumption) still has exceeded total slaughter in Ontario.** There remains a demand-gap of approximately 23% (or 60.5 million head of livestock) in Ontario that is fulfilled by interprovincial and international imports.

Figure A: Total Ontario Slaughter and Meat and Poultry Demand (Consumption), 2015-2020



Source: Special data tabulations prepared and provided by the Ontario Ministry of Agriculture, Food and Rural Affairs.

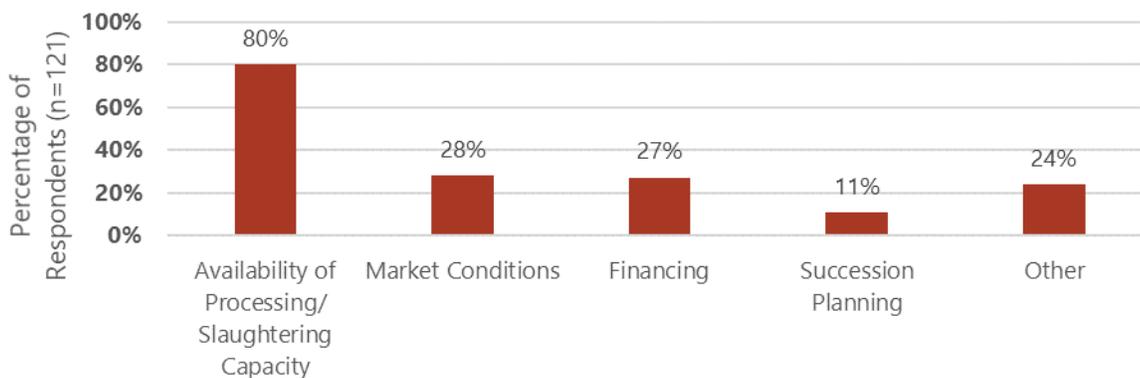
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Barriers to Growth (Farmers)

The majority of respondents to the Farmers survey (80%) indicated barriers to growing their livestock production. Most of the survey respondents (80%) suggested that the **“availability of processing/slaughtering capacity”** is a factor limiting growth in their livestock production.

Figure B: Factors That Are Barriers to Livestock Production Growth



Due to limitations around the availability of processing/slaughtering capacity, the majority of respondents indicated they **“waited and fed their livestock for a longer amount of time”** (62%) and/or **“travelled longer to process their livestock within the province”** (55%).

Growth Potential (Farmers)

The vast majority of respondents indicated that, with more slaughtering capacity, they could significantly grow their production. This indicates that if slaughtering capacity were expanded, livestock farmers would be able to provide additional supply.

Table A: Current and Projected Livestock Production With More Slaughtering Capacity

Livestock	Current Head	Projected Head – with more Slaughtering Capacity	Difference – Current vs. Projected with More Capacity	% Change - Current vs. Projected with More Capacity
Pigs (n=27)	186,476	706,191	519,715	279%
Cattle/ Calves (n=53)	8,910	19,432	10,522	118%
Sheep/ Lamb (n=36)	8,730	12,745	4,015	46%
Goat (n=6)	607	1,412	805	133%
Chicken/ Turkey (n=30)	2,754,824	3,771,905	1,017,081	37%

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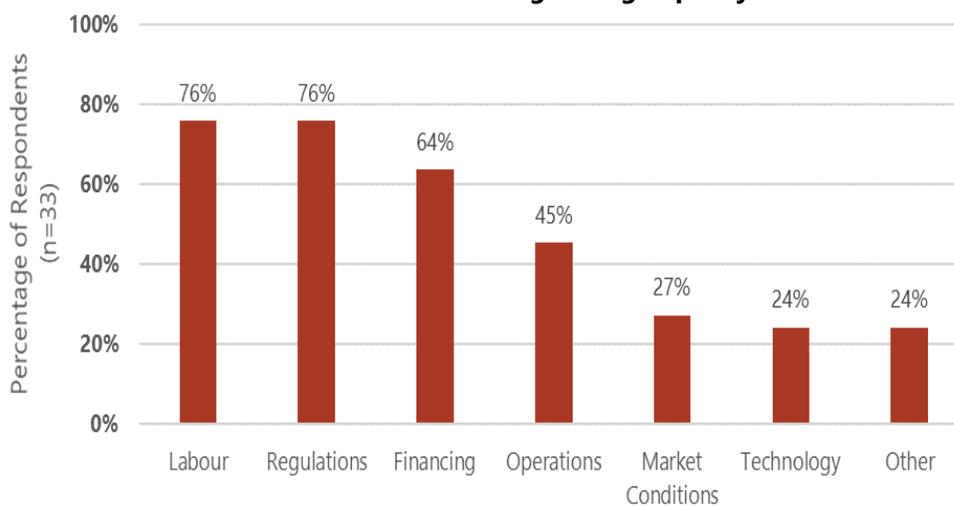


Barriers to Growth (Abattoirs)

The overwhelming majority of survey respondents (86%) indicated there are barriers stopping them from growing their slaughtering capacity.

Labour (76%) and **regulations** (76%) were the two most common barriers to growth in slaughtering capacity. **“Grants for capital purchases or investment in technology”** and **“fair implementation of regulations”** were both mentioned by over 80% of survey respondents as additional supports needed for growing their slaughtering operations in Ontario.

Figure C: Factors That Are Barriers to Growth in Slaughtering Capacity



Growth Potential (Abattoirs)

The vast majority of survey respondents indicated that they project their regular weekly slaughter to increase in the next five to ten years, and also anticipate that receiving additional supports they need would result in further increases in regular weekly slaughter.

Table B: Current Weekly Slaughter and Projected Weekly Slaughter with Required Additional Supports

Livestock	Current Weekly Slaughter	Projected Weekly Slaughter – with Required Additional Supports	Difference – Current vs. Projected with Supports	% Change – Current vs. Projected Capacity with Supports
Pork (n=14)	3,728	5,576	1,848	50%
Beef (n=20)	885	2,115	1,230	139%
Veal (n=10)	571	1,438	867	152%
Sheep/Goat (n=18)	1,778	7,043	5,265	296%
Poultry (n=4)	325,800	396,000	70,200	22%

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Estimated Revenue Growth (Abattoirs)

Approximately 61% of respondents indicated they could grow their sales revenues by over \$1 million, while one-third (33%) expected they could increase revenues by over \$5 million, if they receive all the additional supports they need.

The total projected revenue growth with additional supports in the next 5 to 10 years as reported by survey respondents (n=36) was estimated between **\$262 million and \$324 million**.

Survey respondents were also asked the estimated overall costs required to grow production capacity, and the total for all 37 survey respondents was estimated between **\$40 million and \$54 million**. Compared to the potential revenue growth of receiving all required additional supports (\$262 million to \$324 million), this would represent a **return on investment of between 600% and 700%**.

Centralized Reservation Systems Pilot

Through this study, an initial pilot of a Centralized Reservation System ("the Initial Pilot") was carried out in support of a future launch of a more comprehensive program ("the Pilot Program"). The aim of the Pilot Program will be to work to connect farmers and abattoirs in Ontario based on demand for, and capacity of, slaughtering services. The Pilot Program is planned on being launched by MPO in the Fall of 2021, pending funding and approval.

At the conclusion of the Initial Pilot, the following considerations and suggested next steps were made for the launch of the comprehensive Pilot Program:

- Include broader regions of Ontario in the Pilot Program.
- Provide matching services with abattoirs that provide value-added processing services.
- Conduct a feasibility assessment of the Pilot Program.
- Incorporate a mix of tools for matching farmers and abattoirs including phone, email, and a mobile application technology.
- Develop and execute a formal branding and communications strategy for Pilot Program.
- Identify the resourcing model required for the Pilot Program.
- Develop a technology tool for the Pilot Program.

Speducci, Wild Boar Prosciutto, winner of the 2019 Diamond and Media's Choice Awards.



Funding provided by:

