Toronto Region E-Newsletter

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Winter 2010

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Toronto Region: The recipe for North America's first agri-food cluster

The Greater Toronto-Guelph-Waterloo corridor is the third largest food manufacturing region in North America (behind only California and the Chicago area). There are more than 600 food companies (82 % of the provincial total of 750) located in the Toronto Region. Agri-food ranks second only to transportation equipment as a contributor to Ontario's manufacturing GDP and, with a workforce of 78,000, it is first in Canada for the numbers of both highly-skilled food production and food retail staff it employs.

The Toronto-Guelph-Waterloo corridor is the hub of agri-food research in Southern Ontario, and that's where the Toronto Region Research Alliance enters the picture. Over the past year, TRRA identified the agri-food sector's institutional and industry strengths in innovation. This involved investigation and outreach to regional development agencies in Guelph, Mississauga and Toronto, government agencies, and food-related research institutes and associations across the corridor. As a result, the region is now armed with asset maps of the sector and a report on North American agri-food cluster activities and international best practices.

The work to date has also isolated the core obstacle to the TR agri-food's future success in the global marketplace: "No coordinating body currently exists here to market these assets nationally and internationally," says TRRA Director of Research Karen Sievewright. "In not capitalizing currently on Toronto Region's assets through concerted cluster formation, we run the risk of having investment opportunities lost to other better-coordinated and better-publicized global jurisdictions."

But - and it's an important but - TRRA's international comparator research also indicates that no jurisdiction in North America, comparable to the Guelph-Toronto-Waterloo, corridor has yet launched a full-scale, food-related cluster initiative. The time to act is now, given that quasi-clusters are rapidly emerging in New York, Illinois, California, the Pacific Northwest and other regions in the U.S.; and in Quebec (which likely represents a direct competitor to Toronto Region in agri-food). TRRA also identified three cluster initiatives in Europe: Oresund Food Network (Sweden and Denmark); Food Valley (Netherlands); and Vitagora (France). These European clusters were established within the past decade, with Food Valley, in particular, drawing investment interest from Japan.

Time to establish a bona fide agri-food cluster

This wake-up call, along with ongoing discussions and much greater awareness of regions's strengths in agri-food at specific points along the corridor, have now yielded consensus on the region's readiness to form a bona fide agri-food cluster.

TRRA has assisted regional agri-food stakeholders in acquiring a grant from the federal Department of Foreign Affairs and Trade (DFAIT) for a survey of industry members (winter/spring 2010) to gauge their needs and interest in involvement with an agri-food cluster; and to support TRRA lead generation trips (fall 2010) based on the findings of the survey. In tandem, TRRA is also working on the internal front, helping to determine how the new cluster should be coordinated, managed and funded. Specifically, on behalf of Toronto Region agri-food stakeholders, TRRA has submitted an application to the Southern Ontario Development Program (SODP) of FedDev Ontario, requesting operating funding to develop the cluster through 2010 to 2014, focusing initially on the Waterloo-Guelph-Toronto corridor. The cluster development will include board recruitment; staffing; sector growth; an expanded geographical plan for the cluster, broadening to London, Vineland and Fort Erie; joint R& D projects; membership services; and increasing financial independence.

This coordinated response to business development marks a change in the way international investment attraction will work locally. Says Barbara Maly of Guelph Economic Development and Tourism Services, "Certainly, leveraging off one another's distinct agri strengths, be it in agri business, food processing and technologies, or agri-innovation, will put us in a much stronger position to connect global companies and leads to our part of the province. We see FedNor and Eastern Ontario (Eastern Ontario Community Futures Development Corporations Network Inc.) leveraging their regional strengths. Agri-food and agri-innovation will be our coordinated flagship in Southern-Southwestern Ontario."

> **"In Toronto Region, we are on the cusp of developing North America's first coordinated agri-food initiative."**
> *- Karen Sievewright, TRRA Director of Research*

For its part, TRRA is committed to remaining directly involved in agri-food cluster planning during the first two phases of the strategy in 2010: through the industry survey and feasibility study; and through development of the cluster business plan. Word is expected on SODP funding by the third quarter of 2010.

As well, the alliance has also already started making global agri-food connections for the region through a recent, extensive tour of Japan and China (see Attracting Investment section). TRRA met with several Japanese conglomerates with divisions or sister companies in the food sector, functional foods and nutraceuticals. These companies' priority interests globally lie in identifying food products that they can license for distribution and sale in Japan, representing a future novel business opportunity for TR agri-food companies or start-ups.

Following from those October 2009 meetings, TRRA is now establishing which Toronto Region companies are active in food development, in areas that might mesh with the Japanese existing product lines; what products might be available for licence; which of the relevant area companies would have an interest in this type of venture; and which network research activities are most promising for future product development.

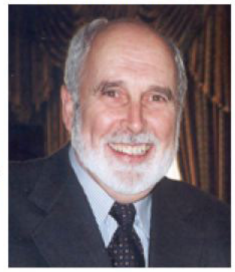
Sievewright sums up all the work in 2009 - 2010 with agri-food partners this way: "In Toronto Region, we are on the cusp of developing North America's first coordinated agri-food initiative." Contact Karen Sievewright

Photographs courtesy of:CMA and AFMNet

Knowledge networks in Ontario advanced manufacturing, auto and steel sectors

Innovation and innovation capacity in the form of process and incremental improvements - are alive in Ontario's auto, steel and advanced manufacturing sectors - and striving to remain healthy in an increasingly saturated global marketplace, according to a study commissioned by TRRA. The study, Innovation in Manufacturing, Supply Chains and Knowledge Networks in Ontario, conducted by Dr. Peter Warrian, a Senior Research Fellow in the Munk Centre for International Studies at the University of Toronto, and shared with a broad range of stakeholders at two meetings in late January. Download the report

"The respondents," says Warrian, "know that pressure from China plus the rise in the Canadian dollar may force them out of low-end or commodity-grade products. To improve profitability and margins, they have to generate new and higher value-added products and manufacturing processes."



Warrian interviewed 76 industries", universities and government research bodies within the Greater Golden Horseshoe (GGH), the heartland of the province's auto, steel and advanced manufacturing sectors. The report sparked considerable interest and discussion among industry, economic development and institutional participants at two roundtable sessions, hosted by TRRA in Hamilton and Kitchener-Waterloo. In particular, the report identified aspects of innovation and knowledge networks in the three sectors that had not preoviously been documented. Specifically:

- The nature of innovation within these three sectors in Southern Ontario, is based on their position in the global supply chain; and
- The need for bona fide R&D systems and workable intellectual property (IP) policies to better connect industry to knowledge assets in community colleges and universities.

Peter Warrian

Innovation in Southern Ontario's auto and steel sectors is determined by the company's position as a Tier 1 supplier of products and processes to original car manufacturers (OEM) headquartered globally, or as Tier 2 and 3 suppliers to the Tier 1s. Design and performance specs are given from the OEM to the Tier 1 suppliers. Within that constraint, the innovation focus in the auto sector is on implementing product and process improvements. The steel sector, on the other hand, finds most of its innovation in process improvement, since the basic metallurgy has already been determined.

Conversely, advanced manufacturing companies, while aiming to compete through new products in niche markets, must increasingly determine how to balance innovation with cost savings to step up to global market competition. Warrian says, "I was surprised by the extent to which formal, internal Innovation Councils exist, for example, within engineering/consulting and software firms to tap into the knowledge assets of their employees and enhance the firms' competitiveness."

On the institutional side, while some universities have set up technology transfer offices and established policies favourable to the development of spin-off companies and the timely commercialization of ideas, other universities' IP policies are seen as roadblocks by industry. Community colleges are not seen as having full R&D service systems such as tech transfer systems in place for these sectors.

The study also draws a distinction between what innovation space universities and colleges can and do best carve out based on the human capital resident in their graduates: university innovation lies more in product innovation and business management; community colleges "own the production lines and process improvement innovation cycle," says Warrian. Both innovation roles are equally important.

"Ultimately," says TRRA Director of Research Karen Sievewright, "this study provides a picture of the knowledge networks between the firms, universities and colleges."

The questions, she adds, now focus on three areas of further investigation: how to further develop these networks in Southern Ontario; how to understand and overcome industry-institution roadblocks; and how to best use the assets we have to enhance Ontario's competitive advantage in these sectors. Contact Karen Sievewright