

Toronto's food processing sector eclipses automotive

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The belly of Soham Ajmera's business smells of warm garlic and sounds like a million motorized hamster wheels.

The factory floor hums and squeaks as a series of chain-mail conveyor belts roll, stretch and bake endless rows of teardrop naan. The machine will churn out 20,000 pieces of the flatbread today, made to order under private labels for supermarket shelves.

The Ajmera family's FGF Brands has grown since its 2004 inception as a maker of almond-flour muffins to a baking behemoth, provider of President's Choice naan and Starbucks muffins.

Forget the struggling automotive industry: This is Toronto's industrial heartland.

In 2010, Ontario's manufacturing sector added jobs for the first time since 2004 and grew in GDP for the first time since 2005, according to a study released Dec. 29.

But even Jim Stanford, a CAW economist and vice-chair of the Ontario Manufacturing Council, admits the hard-hit manufacturing industry has a long way to go if it hopes to return to pre-recession levels.

The food manufacturing industry, however, seems an exception to the rule.

Southern Ontario may be better known for the cars it used to turn out by the thousands, but by 2008, Greater Toronto's food-manufacturing sector had already eclipsed the area's automotive industry: 58,460 employees to 45,830, according to Statistics Canada Labour Force Survey data.

The GTA's food-processing sector is the second-largest cluster in North America, beating out Chicago but behind Los Angeles, which carries the continental title for greatest number of people employed slicing, pasteurizing, baking, juicing and packaging.

And it's still growing – as it has been steadily over the past 15 years – even while many of the region's blue-collar jobs have disappeared. Toronto's proximity to key markets in Canada and the U.S., combined with a renewed focus on local food and the home-team advantage when it comes to pumping out diverse cuisine, have helped keep companies competitive and profitable.

So while the hard-hit manufacturing industry struggles to return to its pre-recession levels, its food-sector cousin can savour a different success story.

Michael Wolfson, the city's food and beverage sector specialist, says businesses are taking advantage of incentives to move back to Toronto. Long criticized for its disproportionately high commercial-tax rate compared to other municipalities, the city has been trying to sweeten the deal for industrial developers with grants and waived fees: A tax increment equivalent grant in select areas of the city waives building permit and planning fees over a specified period; industrial developers who invest at least half a million dollars in new or expanded development or retrofits are eligible for rehabilitation grants.

And the city's apparently counterintuitive planning tactics might be paying off. In an economy where housing development is in high demand, Toronto kept some sites zoned industrial, kiboshing condo development on land developers saw as prime residential real estate that would bring in more money than a factory in the midst of a manufacturing slowdown.

But Build Toronto spokesman Bruce Logan says the city has gotten "a lot of interest" in one city-owned property, a 10-hectare industrial-zoned piece of surplus land near Lakeshore Boulevard and Islington in Etobicoke they hope will go to a company developing it for food-processing purposes.

But Build Toronto spokesman Bruce Logan says the city has gotten "a lot of interest" in one of those designated properties, a 10-hectare industrial-zoned piece of land near Lakeshore Boulevard and Islington in Etobicoke they hope will go to a company developing it for food-processing purposes.

Even investors and private-sector giants are buying the hype: George Weston Ltd., owner of grocery giant Loblaw, bought artisan Ace Bakery for \$110-million in November. And Premium Brands, based in Richmond, B.C., bought a majority share in Torontonion Maximum Seafood in July – the company's first Central Canadian acquisition.

The municipal government's tax-break carrots aside, it makes sense (especially in an economy bracing for triple-digit oil) for businesses to set up shop nearby the people they're selling to, the people they're buying from and the people who are working for them.

"The food industry is a 24-hour, seven-day-a-week industry. So you need access to labour, you need access to transit to get people to the midnight shifts," Mr. Wolfson says.

When Quebec-based Lassonde Beverages wanted to expand elsewhere

in Canada, a Toronto location was a must. Now more than six years old, their Toronto plant – the company’s largest outside Quebec – pumps out 53 million litres of juices and fruit cocktails a year.

“We’re located close to the airport and the highway system. ... If you look at the corridor between Toronto and Niagara Falls, that’s 7 million people, roughly. So it’s a big chunk of our market,” says plant manager Daniel Marcoux. “Your major suppliers are within driving distance.”

“And we’ve got the work force.”

That isn’t to say things have been easy: The recession, a high dollar and renewed scrutiny on the food-processing industry thanks to such high-profile health scares as the 2008 listeria outbreak have meant it can be challenging to scare up enough capital to get started or expand, says Stewart Metcalfe, vice-president of Colliers Food Facilities Group.

And with global food security increasingly top of mind, Mr. Metcalfe argues, outsourcing food production becomes less palatable an option.

Mr. Ajmera relocated to Toronto for reasons both practical (to fill an unmet flatbread need) and sentimental: He says he fell in love with Toronto while passing through as a business student in Detroit. Toronto’s vitality reminded him of his native Bombay.

He stays, he says, because it’s home: His Canadian-educated sons live here, as do his grandchildren. But there’s also a compelling business case to be made. If there weren’t, there’s no way FGF Brands, which he founded with friend Jim White, would be not only surviving but expanding in an increasingly competitive market.

“I’m in the baking business, and this is the best place to be based,” Mr. Ajmera says. So he learned to roll with the punches: When

retailers seeking to target recession-weary consumers asked for cheaper products this year, he rolled out “tiers” of naan – some without expensive buttermilk and ghee – to keep prices down.

FGF Brands has grown steadily after opening at his sons’ behest, a decade after Mr. Ajmera sold his first baking company, Dough Delight. And after upgrading three times to larger buildings, the company plans to add a second plant on the other side of Steeles, a few blocks away from their headquarters on the Concord side of the Vaughan-Toronto border. It’s a base he plans to pass on to his sons Tejus and Ojus Ajmera, who work with him now.

“They are the future. They are the business. And I’m the proud father.”