



DELIVERING THE GOODS

Food manufacturers are adapting to keep up with Canada's evolving food distribution system

BY JACK KOHANE

Peanuts are the pride of John Picard. He processes over 400,000 lbs of home-grown peanuts each year at his 20,000-sq.-ft., Waterford, Ont. plant, and imports another million pounds from southern U.S. growers. Most of his crunchy kernels are destined for sale to the 750,000 customers who pop in every year at his six Picard's Peanut Shoppe outlets spread around southern Ontario.

Photo: Canadian Choice Wholesalers

A pioneering peanut farmer in Canada, starting in 1979 roasting Valencias (a sweet-tasting peanut containing three or more kernels per shell), Picard's now shells out over 150 different flavours, including Texas Cajun, Chili, Onion and Garlic, as well as milk-chocolate covered peanuts. Recently, Picard began shipping his "Chipnuts" (roasted peanuts in a crisp potato shell) to wholesalers across Canada. "Our distribution system has evolved as our brand's popularity has

grown," says Picard. "But the high cost of peanut production means we must be strategic in how we invest in logistics." Picard's Peanuts uses one delivery truck, but has just purchased a second 34-ft. van. "We've achieved what food suppliers dream of – a 100-per-cent increase in our means of distribution," boasts Picard.

Finding better ways to deliver her frosty delights to retail grocers and foodservice clients is high on Darlene

Landino's wish list. The baking ovens at her Winnipeg-based Double D's Cheesecakes plant pump out 30 varieties of cakes, producing up to 1,500 cakes per month. "Our cakes are whipped, shipped at -25°C, and kept in coolers until ready for serving," she explains. "I had once partnered with a distributor, but they didn't handle the product well. Customers complained our cakes arrived thawed. I've since been doing the deliveries myself."

With a handful of large distributors dominating Canada's logistics network, Landino says it's difficult for small food producers to get a foot in the door. "We can't afford their hefty transport fees and that limits our distribution." Recognizing that her company's food-service division is growing, generating orders from farther afield, Landino says, "We're again grappling with the challenge of looking for a distributor. It's daunting, but somehow we'll make it work."

Distribution is a hot topic among food producers today, according to Keith Mussar, a consultant to the food industry and chair of the Processed Food Committee of the Canadian Association of Importers and Exporters Inc. (IE Canada), whose membership comprises importers, exporters, distributors and agents. "Many factors are driving the evolution of food distribution," he says from his Mississauga, Ont. office. Noting that one-third of Canada's population are 50-plus boomers, Mussar points to this demographic, with its wealth of disposable income, as having a pronounced impact on distribution. "Young people with growing families generally purchase on price, while older consumers are seeking different kinds of taste sensations. They've embraced organic produce and grain-fed and range-free poultry. These niche markets are premium products, commanding premium prices."

Distribution was originally designed to deliver the same kinds of products to the same supermarkets each week. Now, retailers are scram-

bling to source a mushrooming variety of niche products and meeting consumer demand for fresh produce year-round. "It wasn't that long ago when grocery stores in Canada couldn't stock fresh strawberries when they weren't in season here," says Mussar. "Now there are fruits and vegetables delivered fresh from growers around the world. All these changes are market driven."

Stephen Brown, who heads up the Consumer Packaged Goods division of

consulting firm Deloitte, agrees. He sees more consumers opting for on-the-go choices and health and wellness edibles. "Consumers have high expectations of food producers and retailers based on global trends, proliferation of choice, convenience and quality," he says. "The industry is responding with on-time delivery and better inventory and information management, all critical to food security and traceability."

It's a theme echoed by Nick Jennery, president and CEO of the Canadian Council of Grocery Distributors (CCGD), representing this country's food distribution system. "Although our industry is experiencing lots of innovation, there's also a real fight for survival happening," he says, adding that competition is made fiercer with the proliferation of new channels carrying foodstuffs – gas bars, big-box pharmacies and convenience stores. "Grocers are looking at niche opportunities to keep their loyal customers. If people want fresh gooseberries from Israel, we'll get it."

At the same time, ongoing consolidation among food retailers has set the stage for greater buying power and unprecedented clout with food processors. Over the years, retailers have grown to become self-distributing operations, arranging for shipments to centralized distribution warehouses. "Retailers' consolidation has pros and cons," says Larry McIntosh, president and CEO of Peak of the Market, a Winnipeg supplier of Manitoba-grown vegetables to markets in Canada, the U.S., and Europe. "For food manufacturers, consolidation means fewer customers to sell to, while opening up opportunities to ship more produce to less locations for more cost-effective distribution."

Technology is also helping drive supply chain efficiencies, resulting in cost savings. One innovator providing inventory tracking software targeted specifically to SME food processors and distributors is Philadelphia-based Integrated Management Solutions Inc. Called Food Connex, it's a systems package that tracks and processes every aspect of an order's life cycle, from ordering, picking, shipping to pay-

RAISING THE BAR: THE NEW RFID CENTRE



Extolled as a cut above current bar coding and lot numbering systems in its ability to transmit reams of data lightning fast, Radio Frequency Identifications (RFID) can help enterprises track products, parts, expensive items, and temperature- and time-sensitive goods.

In a typical RFID system, transponders, or RFID tags, are attached to objects in order to track that object's movement. Each RFID tag is imprinted with information, including a serial number, place of origin and destination of the goods. When these tags pass through a field generated by a compatible reader emitting a radio frequency transmission, they transmit this information back to the reader, thereby identifying the object.

The opening last September of the Markham, Ont. RFID Centre, the first of its kind in Canada, gives producers, manufacturers, distributors and retailers the opportunity to learn what RFID is all about. Built at a cost of \$1.7 million, this will be the Canadian industry's RFID resource centre for education and product testing. The Centre will initially focus on the retail, produce and consumer packaged goods industries, demonstrating how RFID can offer an accurate and cost effective way of implementing food traceability of frozen, fresh and dry goods.

ment, all faster than manual systems.

Minimizing manual mistakes is also the idea behind the Talkman T5, made by Pittsburgh, Penn.-based Vocollect Inc., a global supplier of voice-directed workplace technology. "Our products help order fillers and pickers in the warehouse work better by replacing paper instruction lists with an advanced voice recognition technology that literally 'talks' them through their daily tasks," explains Mike Miller, Vocollect's director of Strategic Consulting and Sales. The pocket-size T5 employs wireless connectivity, using headsets and a waist belt-worn printer.

Miller claims his technology can result in a 35-per-cent increase in selector productivity, reduction of over 60 per cent in mis-picks and product shorts, a 60-per-cent decrease in inventory control labour hours, and 99-per-cent shipping accuracy. "We recently deployed Vocollect's system in our two warehouses," says Jim McFarland, IT Manager with Tzetzto Bros., a Buffalo, N.Y. confectionery distributor (Dare Foods and Concord Confections are among its Canadian suppliers) to markets in the American northeast. "The T5 frees up pickers' hands, allowing them to focus on getting the right products to and from the right locations." McFarland estimates a nine-month ROI on this investment.

Mark Vickars believes that technology holds the key to food safety. As CEO of Canadian Choice Wholesalers (CCW), a family owned regional distributor of organic and natural products located in a 25,000 sq.-ft. facility in Delta, B.C., Vickars sees computer technologies, particularly the use of the Internet and bar code scanning, as integral to tracking product movement from farm gate to plate. "Until now traceability has been built around food security topics such as BSE and e-coli contamination," he says, noting that the most highly developed systems are in the handling of perishable products like meat, fruits and vegetables. Now, with food contamination grabbing international headlines, retailers and consumers are asking direct questions about where products are sourced and

what kinds of safeguards are in place to ensure product safety. "We are now asking our vendors/manufacturers/growers to provide us with documentation of current organic certification and traceability documentation," says Vickars. "The increasing sophistication of both hardware and software has allowed us to remain nimble, to react quickly in an ever more competitive marketplace."

Of the multitude of technological innovations now on the market, the one making the biggest buzz is Radio Frequency Identification (RFID). "RFID holds great promise for the food industry," says Elaine Smith, senior vice-president of Industry Affairs for the Food and Consumer Products of Canada. Predicting that RFID will become the norm for tracking and tracing shipments along the whole supply chain within the next decade, Smith advises food makers, distributors and retailers to prepare to re-tool their systems to accommodate RFID. "Canadian consumers expect their food to be safe," she says. "RFID's

capabilities will be a valuable tool in ensuring our food supply is secure."

Steve Kampstra, vice-president of Marketing and Procurement for Gordon Food Service, a broadline foodservice distributor, is proud that his seven distribution centres across Canada use some of the latest in warehouse management technology, including radio frequency bar code scanners, computer-controlled temperature controls, and temperature-controlled trucks. "We've invested heavily in technology to ensure we remain industry leaders in product rotation, handling and in producing error-free orders," he says. "We agree RFID will be a big part of food distribution down the road, and every link in the supply chain will need to nail this down to remain competitive."

For his part, Picard prefers the old-fashioned, hands-on approach – taking customer orders on Mondays, packing the cases and shrink-wrapping the pallets on Tuesdays, and trucking goods the rest of the week. "It works for us," he smiles. FC

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