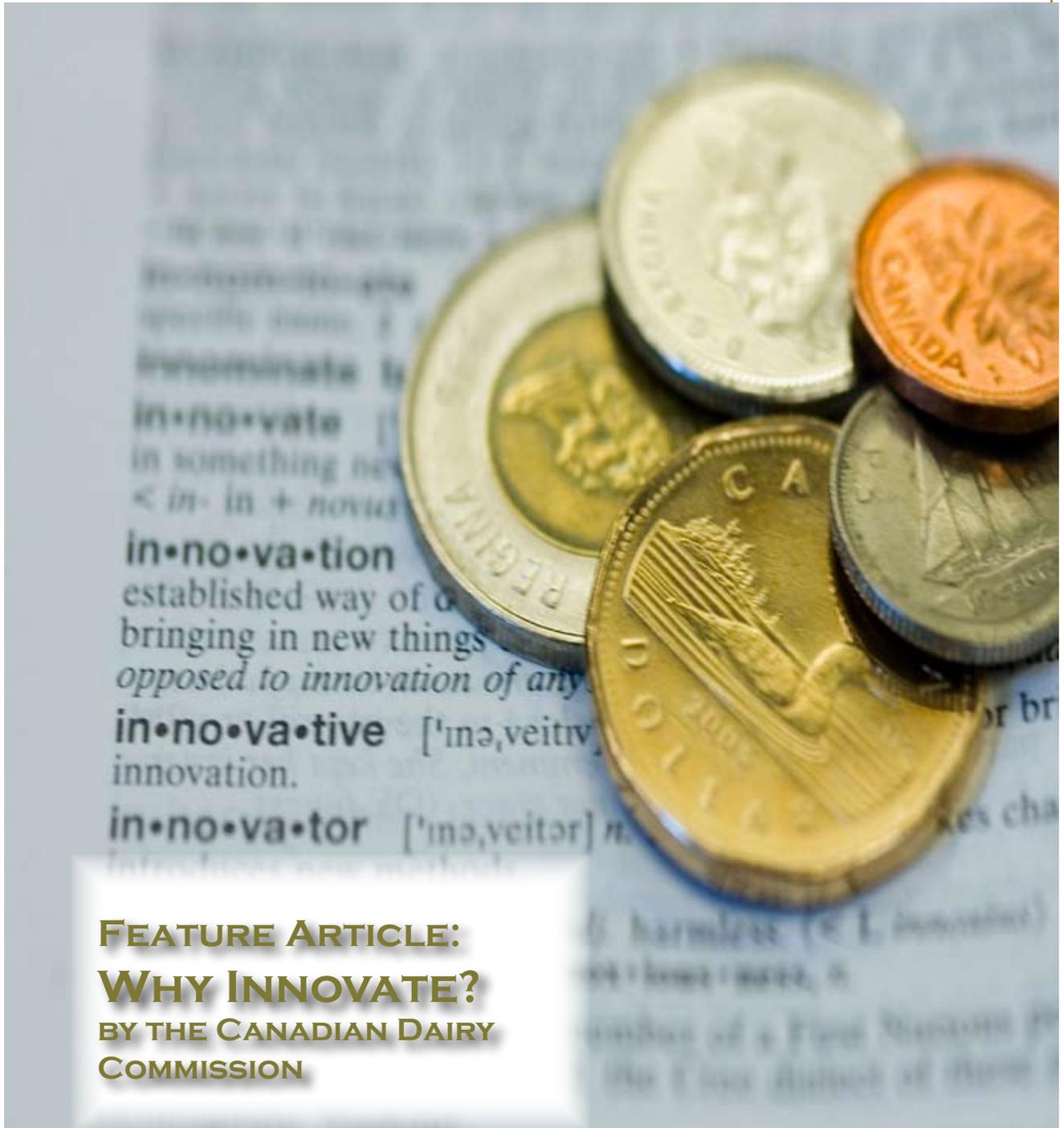


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# The Experts' FORUM



**FEATURE ARTICLE:**  
**WHY INNOVATE?**  
BY THE CANADIAN DAIRY  
COMMISSION

## Why Innovate?

The buzz word these days is “Innovation”. Every where you look, from magazine articles to market studies, innovation seems to be the key to success in product development. But what does innovation really mean? Is new packaging on an old product innovation? If a company’s innovative products end up displacing sales of its existing products, is it worth it? And let’s not forget, being innovative can be a costly venture for a business.

### Innovation in the food processing industry

According to a Statistics Canada study<sup>1</sup>, research and development in the food processing industry is not as strong as the innovation occurring in other industries. Agriculture and Agri-Food Canada commissioned Statistics Canada to survey 800 Canadian food processors and manufacturers. They released their findings in August of this year and the results were somewhat surprising. The survey, conducted in 2004, revealed that only 37 per cent of respondents reported launching new product innovations during the past three years. But, of those 37 per cent that did introduce new product innovations, 64 per cent achieved higher margins on their innovative products in comparison with their regular product lines. Is that an incentive to innovate? Many would agree that it is.

The study also found that 55 per cent of the companies that developed new innovative products did so by adapting, improving or modifying existing products, whereas only 36% actually developed completely new products. So as you can see, innovation doesn’t necessarily mean reinventing the wheel. It simply means making changes to the established way of doing things, which can result in a new product.

### Trends affecting innovation

According to Agriculture and Agri-Food Canada’s Food Value Chain Bureau, a modest growth in the Canadian population, an aging population, more sophisticated consumers, increased consumer consciousness regarding food safety and health, the shift in immigration from European countries to Asian and third-world countries, and greater demand for convenience are important demographic and demand factors driving the domestic market.<sup>2</sup>



These trends, in turn, offer exciting opportunities for the Canadian food and beverage sector. The opportunities include creating healthy food with less fat, suitable for the health conscious family as well as the aging population; developing high-end ready to eat

<sup>1</sup> Statistics Canada; The Daily (Monday, August 15, 2005): *Innovation in the food processing industry*.

<sup>2</sup> Agriculture and Agri-Food Canada, Food Value Chain Bureau; *Towards the Next Century – Market Opportunities and Challenges*. ([http://www.agr.gc.ca/misb/fb-ba/index\\_e.php?s1=proc-trans&s2=sect&page=5](http://www.agr.gc.ca/misb/fb-ba/index_e.php?s1=proc-trans&s2=sect&page=5))

prepared meals that not only offer convenience, but also taste and sensory appeal; creating new products that are fresh and processed in ways that preserve the natural flavours; and developing more ethnic products such as Hispanic and Mediterranean style cheeses, which will not only appeal to our growing immigrant population, but also to the Canadian population at large in search of more variety and unique tasting products.<sup>3</sup> Protein, calcium and potassium rich dairy products and food products containing more “natural” ingredients, which include dairy, also have very good prospects.

Another area of opportunity for food processors is the functional food and nutraceuticals sectors. Regarded as providing medical or health benefits, this dynamic and fast moving sector is “a genuine emerging market segment that has quickly established itself worldwide. Significant regulatory challenges for governments and the sector remain to be resolved, but the market has potential”.<sup>4</sup>

At a recent International Dairy Federation conference held in Vancouver, a noted guest speaker from a large U.S. based cheese manufacturing company commented “Consumers aren’t drowning in an ocean of choice, their swimming in it! And the ocean isn’t big enough.” Great news for the innovators mentioned earlier whose profits should continue to grow in a sea of opportunity!

It’s a great time for product development and the CDC is proud to support companies innovating in the manufacture and use of dairy products and components. Visit [www.MILKINGREDIENTS.CA](http://www.MILKINGREDIENTS.CA) to find out more about our new *Direct Access Fund* and *Innovation Support Fund* which offer financial assistance in accessing food science expertise and technical support in the area of product development.

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<sup>3</sup> Agriculture and Agri-Food Canada, Food Value Chain Bureau; *Towards the Next Century – Market Opportunities and Challenges*. ([http://www.agr.gc.ca/misb/fb-ba/index\\_e.php?s1=proc-trans&s2=sect&page=5](http://www.agr.gc.ca/misb/fb-ba/index_e.php?s1=proc-trans&s2=sect&page=5))

<sup>4</sup> Agriculture and Agri-Food Canada, Food Value Chain Bureau; *Towards the Next Century – Market Opportunities and Challenges*. ([http://www.agr.gc.ca/misb/fb-ba/index\\_e.php?s1=proc-trans&s2=sect&page=5](http://www.agr.gc.ca/misb/fb-ba/index_e.php?s1=proc-trans&s2=sect&page=5))