PotatoChipsMachinery

The Pre-Feasibility Study

Potato Chips Industry Investment in Canada

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1. Summery

Potato chips industry is a long-lasting business in Canada as Canada is a leader of potatoes in the world. With such a favorable condition, continuous raw material, it is beneficial to a new player. The potato chips is in high demand in Canada as snack food is an important part in their daily life. This paper is mainly about the current potato chips market, the favorable investment of potato chips industry, and the opportunities for potato chips industry. Therefore, a new player stands a good chance to enter the Canadian potato chips market.

2. Introduction to Potato Chips Industry

Potato chips industry is one of the fast developing industries among snack food manufacturing. It is always equipped with automatic potato chips machines which help improve the efficiency of the whole production and can save the labor.

With the globalization and the western eating style influence, the potato chips industry is tending to expansion all over the world. High quality potato chips are in demand in every country as people pay more attention on health issue. Even though the demand and consumption of potato chips do not decrease because of that. The potato chips industry presents a great potential.

3. Crucial Factors & Steps in Decision Making for Investment

3.1 SWOT Analysis

STRENGTHS

- Continuous supply of raw material, fresh potatoes
- Stable price of raw material
- High automatic potato chips equipment
- Affordable prices of potato chips for most people
- Favorable investment environment

WEAKNESS

- Inexperienced staff compared with the already established companies
- The expected waste at the beginning stage

OPPORTUNITIES

- More confident of Canadians about spending for products with economic growth and income rising
- Financial stability

- Increasing income
- High demand of potato chips in Canada

THRESTS

- Canadians pay more attention on health issues with the increase of income
- Competition from the already established industries

3.2 Key Success Factors

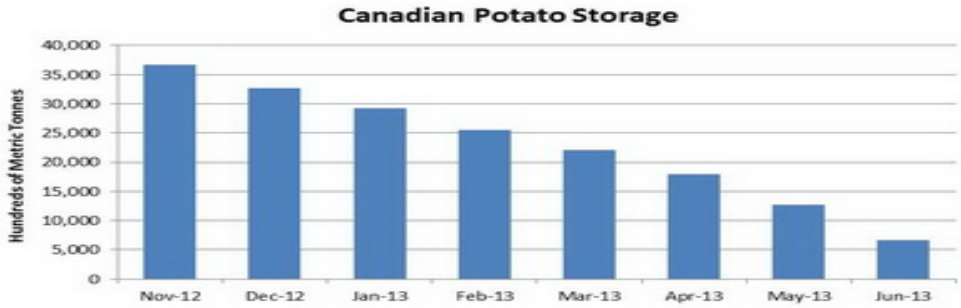
When a new brand enters into a market, some key success factors are always quite important for its development. One of them is to carefully and technically monitor the whole potato chips production process in order to improve the efficiency and reduce material waste and energy waste. Marketing and promotion is another important factor as it is a way to attract people and influence the purchasing act. Only through advertisements, promotion activities and marketing strategies can a new brand of potato chips successfully known by most people.

In nowadays, with Canadians paying more attention on health issue, as a potato chips producer, some factors that influence the purchasing behavior are:

- Healthy
- Taste
- Brand
- Hygeian

4. Potatoes Production in Canada

Canada is a well known global leader of potatoes production. Potato production is an important part of Canada's agriculture industry. Canadian potato production reached to a record crop of 5.3 million tonnes worth $882.6 million in 2003.



As Canada potato production is beyond the domestic market demand, Canadian growers opened up an export market for certain processed potato products such as french fries, frozen potatoes. As the market research shows, in 2004, the export market was worth $ 902 million. As time going on, potatoes are in high demand, to meet the demand, Canadian potato growers increase their potato acreage to more than 400,000 acres. In 2004, almost 1.9 million tonnes of raw potatoes were needed to meet the export demand of frozen potato products which is the equivalent of 37% of the production. For the first time, 51% of Canada's total potato crop was exported. As market research suggests, the majority of exports head to the United States. In 2003, about 85% of product is exported to North America.

Monthly Fresh Potato Exports, Value (Cdn$) (August to December)

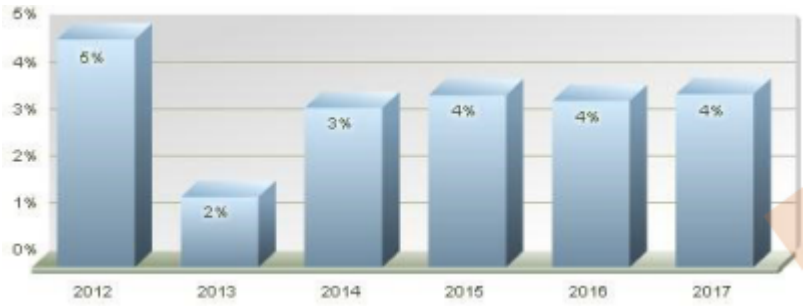
	2006/07	2007/08	2008/09	2009/10
Aug	6,180,357	4,462,130	10,503,067	5,282,230
Sep	8,018,090	7,844,233	11,998,251	6,123,690
Otc	10,400,951	9,727,652	18,069,585	9,894,004
Nov	15,891,895	13,164,942	24,383,724	14,933,145
Dec	12,557,466	15,342,871	21,945,260	13,209,789

5. Potato Chips Market in Canada

5.1 Canada & Snack Food Industry

Canadians like snack foods very much and eat them almost every day. In recent years, snack foods have been one of the fastest growing product categories in the domestic market. They are widely available in all retail channels across the country. The Canadian snack food manufacturing industry is expand with the demand increasing and it serves mostly the domestic market.

Snack Foods Manufacturing Growth Stabilizes

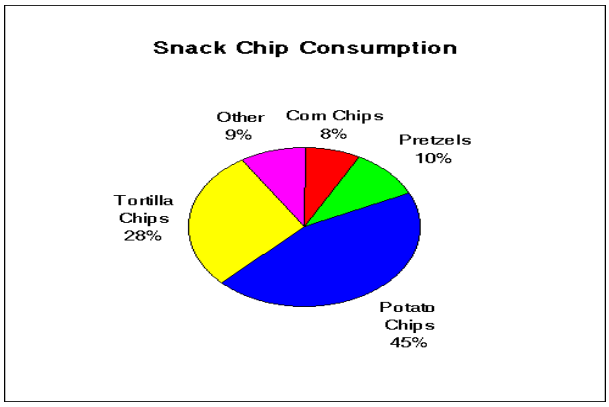


Besides meeting the domestic demand of snacks, Canada snack food products also are exported to foreign countries. Canada's exports of snack food products have increased 4.6% from a value of $ 150.8 million to $157.8 million from 2000 to 2010.

Among the export snack food products, export of potato chips in 2010 accounted for the largest portion of total snack food exports at 47.4%. Followed is corn chips, pretzels and extruded snacks which accounted for 23.5% of exports.

5.2 Potato Chips Market

Potato chips enjoy a great market share with the special crispy and flavor and taste. The Canadian potato chips market consists of retail sales of bagged snack products and is valued according to retail selling price. In 2011, the Canadian potato chips market had total revenues of $1.2 billion, representing a compound annual growth rate of 6.7% between 2007 and 2011 according to the market report.



The Best Selling Brands of Potato Chips in Canada

No.1	**No.2**	**No.3**	**No.4**	**No.5**
Lay's	Ruffles	Pringles	Utz	Kettle Brand
No.6	**No.7**	**No.8**	**No.9**	**No.10**
Cape Code Potato Chips	Herr's	Wise	Popchips	Golden Flake

Holding 84.0% of Canadian production despite an increase in exports, the domestic market of potato chips is still the industry's most important market. The demand for convenience foods and "eat on the run" have driven potato chips sales in Canada and foreign countries which have generated significance increases in the Canadian domestic market and in export market.

Monthly Processed Potato Exports, Value (Cdn$) (August to February)

	2006/07	2007/08	2008/09	2009/10
Aug	75,636,538	74,371,262	80,117,201	84,119,365
Sep	74,727,691	68,694,613	81,648,553	83,670,641
Oct	77,365,220	79,136,593	89,102,120	81,544,561
Nov	78,319,859	73,073,950	94,108,030	79,191,084
Dec	74,308,931	68,459,925	87,666,858	75,498,080
Jan	86,697,483	75,103,179	95,511,086	74,553,045
Feb	75,182,628	72,648,506	92,287,787	72,399,580

5.3 Target Customers

Potato chips, potato crisps and french fries appear to be the most popular snacks in people's life. They exist in chain groceries, large format outlets, corner stores, gas stations and vending machines as well as at movie theaters and sporting events. Therefore, people can buy them easily. The main customers can be known. As the taste and crispy are liked by most people, the target customers can be children, young people, the working people and the housewives.

6. Potato Chips Production Process

6.1 Potato Chips Machines

As for the industry, automatic potato chips machines should be equipped with. The plant is as follows:

- Washing & Peeling Machine - For washing and peeling fresh potatoes.

- Potato Chips Machine - For slicing potatoes into chips or slices.
- Potato Chips Blanching Machine - For pre-cooking the chips.
- Potato chips blanching machine - For blanching the potato chips. It is used to kill harmful bacteria and keep original flavor in food.
- Potato Chips Dehydration Machine - For draining the water on the surface of chips.
- Potato Chips Frying Machine - For frying the chips.
- Potato Chips De-oiling Machine - For draining the oil on the surface of chips.
- Potato Chips Seasoning Machine - For flavoring the chips. Potato chips and French fries can be added with various sauce for different taste.
- Nitrogen Filled Potato Chips Packaging Machine - For packaging the chips. Packaged potato chips can reserve for a long time without any taste losses.

6.2 Potato Chips Production

Within potato chips manufacturing industry, continual improvements in process efficiency have occurred through improvements in some technologies for washing, peeling, slicing, blanching, drying, frying, de-oiling, seasoning and packaging. To improve these process parameters can produce high quality potato chips as water content, oil content, color and flavor of products are all factors that influence the quality of the final products.

7. Conclusion

Canada potato chips market is full of potential for a new player who can provide premium quality potato chips. Besides that the environment for investment is favorable. With market strategy and promotion and high quality potato chips, a new player can win customers in the competitive potato chips market and gain market share through endeavor.