

Agri

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Economic Impact of Canadian Flaxseed Sector

Contents

The Economic Impact of Canadian Flaxseed on the Canadian Economy.....	1
The impact of flaxseed on the Canadian economy	2
The contribution to Canadian GDP and exports of key crops	4
Use of multipliers to evaluate indirect and induced impact	4
Use of StatCan multipliers in this study	5

List of Tables

Table 1: Value chain for flaxseed economic impact assessment, by component.....	1
Table 2: Economic impact of flaxseed on the Canadian economy	2
Table 3: National-level multipliers derived from StatCan input-output tables	5

List of Diagrams

Diagram 1: Total economic impact of flaxseed on the Canadian economy (C\$ million, average 2020/21 to 2022/23)	3
Diagram 2: Total employment impact of flaxseed on the Canadian economy (FTE jobs, average 2020/21 to 2022/23)	3
Diagram 3: Contribution of flaxseed sector to Canadian exports and GDP (average 2020/21 to 2022/23)	4

The Economic Impact of Canadian Flaxseed on the Canadian Economy

This report provides a summary of the economic impact of flaxseed on the Canadian economy.

For the average of the three years of full data, **2020/21-2022/23**:

- The total combined **economic impact** on the Canadian economy from the flaxseed sector averaged almost C\$1.43 billion per year.
- 6,600 **full time equivalent jobs** are generated by the flaxseed sector within Canada.
- The flaxseed farming and primary processing sectors are the largest employers, with farming contributing by far the greatest economic impact within Canada.

These results are estimated along the value chain via several different metrics:

- **Economic impact:** quantifies the value added to the Canadian economy by flaxseed and its downstream value chain.
- **Employment impact:** estimates the number of full-time equivalent (FTE) jobs contributed by flaxseed's value chain in Canada.

The analysis ends at the point where 1. the crop is exported, or 2. where products are exported or processed into secondary products and consumed or 3. where the crop or primary processed products cross from Canada into the United States for overland export.

The economic indicators for each step of the value chain are presented at two levels: **Direct effects** only, and **Total effects** (which is the sum of Direct, Indirect and Induced effects).

- **Direct effects:** the economic and employment impact that can be directly attributed to the flaxseed value chain. These results are calculated by GlobalData based on models driven by publicly and privately available data, industry knowledge, and interviews with industry stakeholders.
- **Indirect effects:** the economic and employment impact created by those industries that supply the crop value chain, or by individuals who work at the periphery of the sector.
- **Induced effects:** the economic and employment impact that stems from household spending of the income earned in each sector.

Note: The indirect and induced effects of the sectors are estimated based on input-output tables developed by Statistics Canada (StatCan).

Table 1: Value chain for flaxseed economic impact assessment, by component

Value chain	Description	Economic impact	Employment	Multiplier used
Farming	Production of flaxseed by farmers using land and inputs such as seed, fertilizers and crop protection	yes	yes	yes
Elevation	Primary elevation and off-farm storage of crops	yes	yes	yes
Crop delivery	Delivery of crop to elevators, processing plants or point of export via truck, rail and barge	yes	yes	yes
Primary processing	Initial crushing and milling of flaxseed for food, oil and meal products	yes	yes	yes
Feed milling	Feed processing of flax meal for animal feed	yes	yes	yes
Further processing and downstream activities	Refining and further processing of oil from primary processing plus direct retail of flaxseed food products	yes	yes	yes
Product delivery	Delivery of products and by-products to end users or point of export	yes	yes	yes
Impact at ports	Loading ocean-going vessels for overseas export	yes	yes	yes

The impact of flaxseed on the Canadian economy

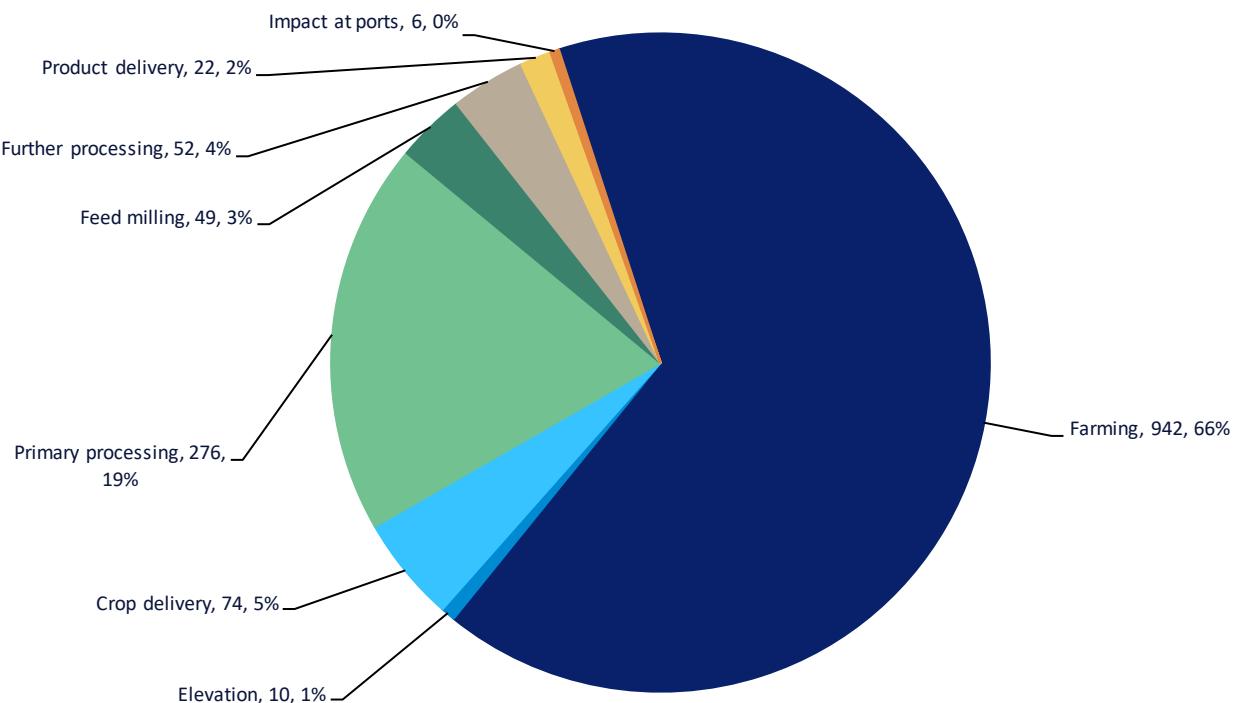
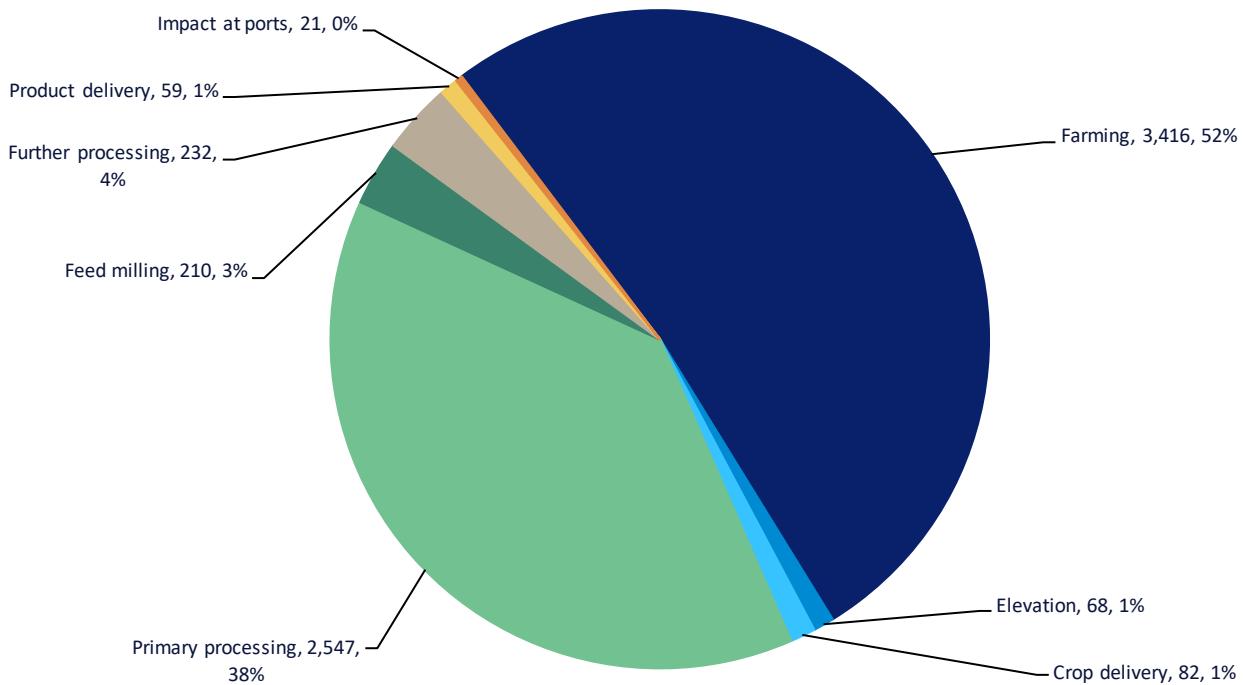
This section presents the economic (value added) and employment impact for the entire value chain of Canadian flaxseed averaged across the past three years of full data, at the time of writing. We apply sectoral multipliers from StatCan in order to calculate the **total** economic impact of the crop value chain after estimating the direct impact.

The employment impact is measured in full-time equivalent jobs, again presenting the results for the entire value chain averaged across the past three years with employment multipliers from StatCan applied in order to calculate the **total** employment impact after estimating the direct employment.

- Between 2020/21 and 2022/23, **the total economic impact of flaxseed on the Canadian economy averaged C\$1.43 billion**. This value has been supported in recent years by higher output and higher prices.
- Of this, the farming sector is by far the largest contributor, contributing C\$0.94 billion.
- The total **employment effect** of the flaxseed sector averaged **6,600** full time equivalent jobs.
- Farming and primary processing (milling of flaxseed for use in food and crushing for oil and meal) and the largest contributors.

Table 2: Economic impact of flaxseed on the Canadian economy

	Economic Impact (C\$ million)	Employment Impact (FTE jobs)
Direct impact		
Farming	460	1,459
Elevation	6	45
Crop delivery	26	35
Primary processing	46	226
Feed milling	10	37
Further processing and downstream activities	26	173
Product delivery	12	25
Impact at ports	3	14
Total	589	2,013
Total economic impact		
Farming	942	3,416
Elevation	10	68
Crop delivery	74	82
Primary processing	276	2,547
Feed milling	49	210
Further processing and downstream activities	52	232
Product delivery	22	59
Impact at ports	6	21
Total	1,431	6,635

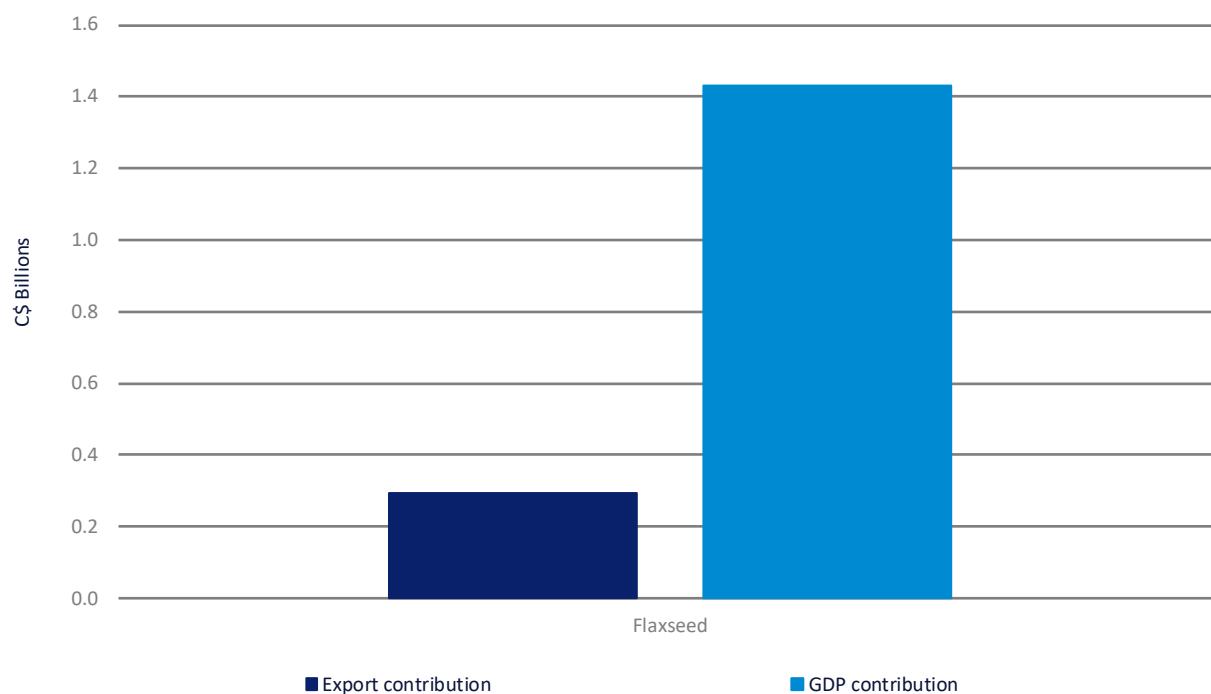
Diagram 1: Total economic impact of flaxseed on the Canadian economy (C\$ million, average 2020/21 to 2022/23)

Diagram 2: Total employment impact of flaxseed on the Canadian economy (FTE jobs, average 2020/21 to 2022/23)


The contribution to Canadian GDP and exports of key crops

We also assess the role of each of these sectors in the Canadian economy in terms of:

- **Contribution to Canadian GDP**, measured as the **total** economic value added by the crop sector and expressed as a proportion of total Canadian GDP.
- **Contribution to Canadian export value**, measured as the export value of the crop and expressed as a proportion of total Canadian exports by value.

Diagram 3: Contribution of flaxseed sector to Canadian exports and GDP (average 2020/21 to 2022/23)



- The total value of Canadian flaxseed and flax product exports averaged C\$0.3 billion.
- The average **total** economic impact of the sector was \$1.43 billion per year, which amounts to 0.05% of Canada's GDP on average over the three years.

Use of multipliers to evaluate indirect and induced impact

We have presented our results both for direct and total economic and employment effects. The direct effects are significant, but they ignore the important economic effect that a core industry generates via a ripple effect on supporting industries. This is known as the **indirect** effect. For some steps in the crop value chain, the indirect effect can be significant.

This is especially true for capital-intensive aspects of the sector, such as processing sectors. Many jobs associated with keeping a facility operational, from white collar jobs in engineering to trade professions like electricians, plumbers and pipefitters, are done on a contractual basis with outside firms, making the true impact of the processing facility much higher.

Similarly, direct effects fail to capture the economic activity stemming from expenditures of households drawing a salary from a given sector. While these "**induced**" effects are typically smaller than indirect effects, they can still constitute a sizeable economic force, particularly in a local area.

These economic and employment spin-offs are known as the ***multiplier effect*** in established economic literature. These multipliers measure the impact on the broader economy from a defined input in a specific sector of the economy.

In this report, we employ different multipliers for the economic and employment effects. The magnitude of the multiplier effect varies across different subsectors of the value chain. Fortunately, ***Canada maintains industry multipliers at a detailed sectoral level, which we employ. All multipliers used in the report represent StatCan's Canadian average.***

Use of StatCan multipliers in this study

Statistics Canada's Industry Accounts Division has estimated over 250 economic multipliers.

We adopt the most recent national-level multipliers available when estimating the total impact of each crop on the Canadian economy.

Canadian multipliers are available for 1) economic impact and 2) employment impact at the direct + indirect and the direct + indirect + induced levels. We use the latter of these measures in this report in order to capture the whole multiplier effect.

Table 3: National-level multipliers derived from StatCan input-output tables

Value-added activity	StatCan Industry Designation	Multipliers	
		Economic Impact	Employment Impact
Farming	Crop Production	2.05	2.34
Elevation	Warehousing and Storage	1.77	1.53
Rail Transport	Rail Transportation	1.64	2.39
Truck Transport	Truck Transportation	2.89	2.35
Barge Transport	Water Transportation	3.31	3.16
Processing	Grain and Oilseed Milling	6.00	11.25
Feed milling	Animal Food Manufacturing	4.96	5.67
Further processing	Food Manufacturing	2.57	2.14
Retail sales	Food and Beverage Stores	1.98	1.34
Port Activities	Warehousing and Storage	1.77	1.53
End uses & bottling	Other Food Manufacturing	2.45	2.70

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