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Canadian BioProducts Industry Strives to Increase Investor Interest

A survey of Canadian industrial bioproducts companies has revealed that a more intensive communications strategy is necessary to bring to light successes and opportunities for investors in this emerging sector of the Canadian economy.

The survey, conducted by the [Industrial BioProducts Value Chain Roundtable](#), sought opinions from Canadian small and medium sized enterprises, investors, and business incubators, as well as domestic and international bioproducts organizations, to better understand Canadian companies' experiences in attracting investors and accessing capital. A total of 74 responses were received. The report documenting the findings was released today.

Murray McLaughlin, Industry Co-chair of the Roundtable, said that the survey provides very useful insight into the successes of more than 45% of respondents that could access capital they needed, and challenges of the 55% that could not.

“Industrial bioproducts, including bio-fuels, bio-energy, biomaterials, and industrial biochemicals, are a relatively new sector of the Canadian economy,” said McLaughlin, “But consumer demand is growing for new made-in-Canada products that reduce our carbon footprint and provide a meaningful response to climate change. We need a business environment that helps Canadian companies rise to that challenge, at home, and in global export markets.”

The report reveals that lack of investor understanding of the sector, longer time for return on investment, and perceived risk of business failure are major barriers to attract risk capital. Angel investors were found to be the most common source of private equity, with a small fraction of businesses accessing venture capital or commercial bank financing. 92% of respondents indicated a need for new capital investment to commercialize their R&D, and to further expand manufacturing capacity.

Rory Francis of PEI BioAlliance co-chaired the Investment Readiness Working Group with Mike Cey of Ag-West Bio. He says the report also highlights the need for well-prepared business plans and execution strategies. “We found that incubators and accelerators with experience in the sector are an important resource in helping early stage businesses connect to sources of government seed capital as well as to private equity, particularly in the \$500,000 to \$5 million range.”

International best practice research conducted during this study revealed that the bioproducts sectors in other countries experience similar challenges to those identified by the Canadian companies. Lessons learned shared by these organizations included the importance of having focused leadership at the national government level through a single department (as opposed to distributed across various ministries); a supportive policy environment; communicating the success stories from the sector; and companies having a strong management team.

Paul Antoniadis, CEO of good natured Products Inc., a leading Canadian innovator driving transformation in the global bioproducts industry and a member of the Roundtable, said, “This report should provide an impetus to action by industry and governments to address the barriers to growth of the sector. Our business continues to overcome these challenges with investment from institutional funds, wealth advisors and individuals who see bioproducts as a high growth sector for their investments. It’s this continued support that has enabled good natured® to expand its customers base across Canada and the U.S., resulting in a 47% YOY revenue growth to September 2018.”

The Roundtable has highlighted five specific priority actions to mobilize and attract capital to the bioproducts sector:

- Launch an investor-focused communications strategy to profile the current successes and quality investment opportunities in Canadian industrial bioproduct businesses
- Secure enhanced investor tax credits for investment in early-stage bioproducts companies through federal and provincial policy alignment
- Ensure that federal and provincial clean-tech strategy programs are accessible to agricultural bioproducts companies
- Increase the role (and budget) of Sustainable Technology Development Canada (SDTC) to invest in scale-up initiatives of bioproducts companies
- Support Canadian incubators and accelerators that have a role in helping Canadian bioproducts companies become investor-ready

The Roundtable will work diligently with industry partners and federal and provincial government agencies to implement these recommendations.

The survey was funded by Agriculture and Agri-Food Canada.

[Click here](#) to read the report.

For more information, contact [Murray McLaughlin](#).

Backgrounder: Canada's Industrial BioProducts Value Chain Roundtable

Bioproducts support innovation within the agriculture sector, help address environmental issues and reduce Canada's overall greenhouse gas footprint. Bioproducts create clean jobs across the Canadian economy in research and development, agriculture, and value-added manufacturing.

Canada has a substantial supply of diverse biological resources available to support the growth of the industrial bioproducts sector. Bioproduct production and development in Canada was highlighted in AAFC's 2017 version of its annual economic overview of the Canadian agriculture and agri-food system, entitled: [An Overview of the Canadian Agriculture and Agri-Food System 2017](#). While a detailed profile is available within the publication, below is a summary of the key facts:

- Non-conventional industrial bioproducts including biofuels, plant-based plastics, biocomposites and chemicals are a growing part of Canada's Bioeconomy.
- In 2015, 190 firms were engaged in the production or development of non-conventional industrial bioproducts in Canada. The total revenue from bioproducts production was \$4.27 billion and employment reached 5,618 people.
- Biofuels is the largest bioproduct category with revenues of \$2.72 billion in 2015, of which 75% were from ethanol and 24% from biodiesel.
- Canada's bioproduct firms transformed over 21 million metric tonnes of biomass into bioproducts in 2015, of which 12.3 million metric tonnes were sourced from forestry and 8.8 million metric tonnes were from agriculture.

A shared vision between industry and government to enhance Canada's competitiveness and profitability resulted in the formation of value chain roundtables. The Industrial Bioproducts Value Chain Roundtable (IBVCRT) was established to:

- Support the development of the industrial bioproducts sector, including businesses and value chain partners in biomaterials, biofuels, bioenergy, and industrial biochemicals;
- Explore the establishment of a consistent and recognized approach to setting biomass quality and addressing biomass supply issues;
- Encourage information sharing and increase awareness of existing regional approaches to advance the sector that could be replicated;
- Identify specific regulatory and policy issues affecting the sector.

The strategic plan of the IBVCRT identified the following priorities:

1. Provide consistent quality and quantity of agriculture biomass
2. Realize a BioContent Canada program
3. Effectively promote the agriculture bioeconomy value proposition on the federal stage
4. Create a national voice and organizational capacity for the sector
5. Enhance resources for companies to become investment ready
6. Encourage the development of regulations that move at the speed of business

The strategic plan also identified a number of activities related to achieving priority number five “Enhance resources for companies to become investment ready.”

These activities included:

- Identify the needs of relevant Canadian companies striving to attract investment for the commercialization of agricultural industrial bioproducts,
- Determine what resources are currently available and being utilized to support these companies, and
- Identify the barriers to success in attracting capital and means of addressing those barriers.