

## Client Spotlight - Wipak

Wipak is part of a global packaging group that manufactures and distributes high-quality packaging materials and related packaging machines. The company was registered on September 29th 1975. Bob Lavery (title needed) said “Contrary to widespread belief, the name Wipak has nothing to do with Winnipeg. In fact, we had opted for Wipak but that name was already taken by a Canadian company. We thought it couldn’t hurt us to have the word “win” written in the company name.” One more step toward the official establishment of the company was taken on November 21, 1975, when Wipak received confirmation from the Canadian Foreign Investment Review Agency stating that the company had been granted approval to be established in Canada as a foreign company. 

Wipak Inc. was incorporated in 1976 and started operations in 1977. The origin of the company is based on technology from Finland in the early 1970’s. Initially Wipak was primarily focussed on a few markets, including meat and bacon packaging, as early technology limited the uses of their products. In the years that followed, Wipak expanded into cheese and other food products, and made several acquisitions that were followed by expansion into coffee, poultry and other food products that do not require rigid plastic containers.

Wipak President and CEO Bruce Barry says “Wipak has evolved significantly over the past 35 years. The evolution of the company has resulted from the evolution of the technology, as well as new products being introduced, and from expansion into other uses of packaging technology.” Barry adds “Acquisitions and expansion into new markets and new product lines has also fuelled our growth”. Other markets which Wipak has expanded into include the pet food market, pharmaceuticals and health care, as well as some industrial markets, however 90% of the company’s products are sold into the agri-food marketplace. Ken Kuchma, Vice-President and CFO of Wipak says “More recently Wipak has evolved into a large organization with over 1,800 employees across eight plants in Canada, the United States, Mexico and operations in Finland.” Kuchma adds “Plants in Canada include two in Winnipeg and one in Montreal. In the U.S. Wipak has operations near Chicago, in Atlanta and in California.”

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In 2011, Winpak expects revenues to exceed \$600 million, which is up from a few million dollars in the late '70's and early '80's. Today Winpak's operations boast in excess of 1.2 million square feet of manufacturing space across their footprint. In recent times, manufacturers in Canada have faced numerous hurdles including significant challenges related to the high Canadian dollar. The secret of Winpak's success has always been their people and the spirit that exists among the dedicated workforce.

Winpak has a lot of long serving employees. Bruce Barry, President and CEO of Winpak has over 30 years of service with the company, and it is not uncommon for Winpak to have employees with 30 years of service. Although Winpak has grown to be a large company, there is a strong entrepreneurial spirit and a family atmosphere. Recently, Winpak has set a "BDC goal", that is, a commitment to be a billion dollar company by the year 2015. The entrepreneurial spirit and family atmosphere is clearly evident as everyone is rallying around the flag to reach this goal.

Another reason for Winpak's success is technology innovation, particularly on the extrusion side. The materials Winpak produces are for highly perishable food products. Their machines can produce plastics and packaging with 11 different layers and this is a key point of differentiation, since there are only 2 other significant companies in the world that have technology with the ability for multi-layer packaging. The benefit of multi-layer packaging is that each layer has a different use. For example, one layer keeps out oxygen, where another layer keeps out water. This is critical to help preserve the shelf life and prevent spoilage of perishable food products.

Winpak is also able to produce products thinner than anyone else with the same functions and benefits. This allows Winpak products to be less costly and more environmentally friendly. One important growth area for the company is vacuum packaging, which has grown to the point where it is now half of Winpak's sales. This allows the company to create a modified atmosphere for their food product customers.

Another service Winpak offers related to sales and marketing is print designs for their customers' packaging. Although the primary focus of packaging is to preserve shelf-life and prevent spoilage, a secondary focus is attractive packaging. Even though Winpak has been around for over 35 years, and the company has grown significantly, they are not ones to look at the past. They are looking into the future.

The agri-food and manufacturing industries have seen a lot of changes in recent years and Winpak foresees more changes coming. For example, the big food companies such as Kraft and General Mills are more marketing companies now and they are driving a lot of change,

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along with aging populations and the reality of a society that seems to be busier and busier all the time. The impact of this is the trend toward convenience, and this results in increased demand for packaging and food products that are ready-made. For example, microwaveable bacon and pre-made salads are trends the company sees continuing as people get busier.

Bio-plastics are also a trend, however there are challenges with the functionality of these products as bio-plastics are not ideal when exposed to sunshine or moisture, as the protective function becomes a challenge. One food product that is not ideally suited to bio-plastics is beef jerky, as the packaging requires a moisture barrier. This is essential for dehydrated types of products. Although packaging products can be made out of corn, they are more expensive and the majority of retailers and consumers alike do not appear willing to pay for the extra costs. At this time, bio-plastics and bio-based packaging remain a niche market.

In the coming years, Winpak foresees further expansion in Winnipeg with plans to expand into cheese and meat markets and bring on new products such as shrink bags for products including turkey. The company also foresees expansion in Montreal and into pharmaceuticals and health products using their foil technology. Barry says “We see opportunities in the rigid packaging business, as these products have beneficial barrier properties which limit moisture penetration.” Kuchma adds “Winpak anticipates an expansion in the rigid packaging product line, as the products are comparable to tin cans and glass jars.” A recent example is some cat foods that used to be in foil are now in rigid plastic containers. Tuna packaging can also be in flexible packaging instead of a can and military rations are also moving in this direction. Rigid packaging provides the benefit of one to two year shelf life and this is a direct result of the product features that result in a high oxygen and moisture barrier. To have a significant shelf-life, an effective moisture barrier is critical. Rigid plastic containers are also positive for the environment compared to an alternative such as glass jars. For example, the carbon footprint required to transport heavy glass jars across the country would be significantly more than the carbon footprint required to transport plastic containers. In Europe, a region known for environmental innovation, they are now taking recycled plastics and converting them into a useable fuel instead of burning coal.

In the years to come, Winpak is very optimistic about their growth potential in existing markets and existing product lines, as well as expansion into new markets including Mexico and South America. More than 35 years after Winpak was incorporated, the organization seems to be well on its way to reaching the goal of becoming a billion dollar company. TDS congratulates Winpak on their success. We are honoured to call them a client of our firm.

For more information on Winpak visit their website at <http://www.winpak.com>

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The common shares of Winpak Ltd. are listed on the Toronto Stock Exchange (TSX) under the symbol WPK.

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