

Manufacturing: An Introduction

Three Sectors of the Economy

Primary economic activity involves the collection of raw materials from the earth. Farming, fishing, mining, forestry are the common examples of the primary economy. The farmer takes plants from the land, the forester takes trees from the forest, the fisher takes fish from the ocean and the miner takes ore from the ground. All involve collecting natural resources.

- . **Secondary economic activity** involves processing or manufacturing raw materials into products for people to use. It is often referred to as the manufacturing or processing sector. The cows are butchered into roasts, steaks and ground beef and packaged for sale. All the activities start with a raw material and convert it to a product for sale. This is sometimes referred to as Value adding. The tree would be much less expensive to buy than the lumber. The lumber has value added.
- . **Tertiary economic activity** involves providing service to people. It is often referred to as the service industry. Nurses, doctors, lawyers, teachers, waitresses, hairdressers, sales people all provide services for other people. Tourism is an important part of the tertiary sector and golf has become a push for investment in Newfoundland & Labrador.

The Language of Manufacturing

- . **Inputs** = materials & factors that go into making a product.
Example; raw material, power, buildings, land, labour, decisions, capital, machinery
- . **Manufacturing processes** = those processes that change a raw material to a usable form. Three types:
 - Conditioning = minimal change to a resource. Example; logs into lumber; fish into fillets
 - Analytical = resource converted to a number of different products. Example; cow into leather, milk & cheese
 - Synthetic = several resources are combined to make one resource. Example; light bulb has glass, tungsten, Nitrogen & aluminum.
- . **Outputs** = finished product from a manufacturing process. For example the output from the fish plant is fish sticks or frozen fish fillets.

Profit & Manufacturing

- . **Profit** = the difference between the price charged for the product and the money spent in manufacturing, shipping and selling the product. There are many things to consider when setting the price of a product.

- Labour is often the most expensive part of an operation. wages, CPP, EI, Pensions, Sick days, Holidays etc.

- The cost of raw material is a factor and the difficult thing for manufacturers is that the price of materials vary with the markets.

- The cost of equipment and utilities must also be considered.

- Training costs money but is important to increased efficiency and quality of product.

- High volume products like pop can have a low profit margin while low volume products like Jewelry require a high profit margin

- In any event for manufacturers to turn a profit their product must meet market demands.