ACTION COMMITTEE ON THE RURAL ECONOMY

Agri-Value Subcommittee Report

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Brad Wildeman (Chair)
John Beckton
Joan Chase
Bert Harman
Hugh Wagner
Brian Weedon
Grace Wittington
Jerry Wurtz

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INTRODUCTION

One of the fastest growing sectors in the global agriculture industry is the agri-value sector. And nowhere is this growth more evident than in Saskatchewan. Throughout much of the 1990's, "Saskatchewan's food processing industry (led) the nation in overall growth…"[1] Statistics show that our food processing industry grew at an incredible 32% from 1993 to 1996. This trend is expected to continue. Consumer incomes continue to grow, and with that comes increased demand for processed foods.

But processing growth in Saskatchewan is not limited to food. The non-food processing industry is also growing, albeit at lower levels. With our abundant raw materials, many feel that non-food processing of agri-fibre, ethanol and functional foods/nutraceuticals provides a greater growth opportunity for Saskatchewan. For instance, it is known that global pressure on wood fibre continues to grow. "...In 1960, the per capita forest area was 1.17 ha; by the year 2010, it will have dropped to 0.47 ha."[2] Logically, industries that depend on wood products will need to find alternative sources like grain straw.

There are many reasons for this growth, including new technology, increased consumer buying power, global trade and economics. While some may argue that processed food and non-food products is a trend or fad, most agree that the growth will be sustained for the long term and that it is not a trend but a new reality in the global marketplace.

Our province will always have a large primary agriculture sector. As this sector continues to struggle against globalization, it is increasingly important to involve primary producers and rural communities in the value chain. Primary agriculture forms the backbone for many value-added businesses, and without a healthy primary sector, the entire agri-food industry will struggle.

In Saskatchewan, we are presented with a great opportunity to process our raw product. Our natural and geographic advantages provide this province with an abundant supply of relatively inexpensive raw materials, low cost land and competitive utility rates. But there are issues such as transportation and cost of distribution that challenge our agri-value industry. There are also challenges like taxation, labour/human resources and infrastructure that inhibit a potential boom in our processing sector.

The following document will put forward several recommendations designed to facilitate growth in Saskatchewan's value-added sector. These recommendations were developed after consultations with current and potential agri-businesses and others that have first hand experience of the policy, regulatory and demographic issues that enhance or inhibit our processing industry.

[1] Canada West Foundation Study, 1997

[2] United Nations FAO, 1998

RECOMMENDATION SUMMARY

(* Recommendations that are bold and marked with an asterisk are high priority for the agri-value committee).

I. Leadership

a) That the provincial government develop a recognized program that provides people with the opportunity to build their entrepreneurial, leadership and management skills in the agri-value sector.

b) That all provincial government leaders emulate a desire towards growth and economic development in Saskatchewan.

c) The Saskatchewan government utilize existing resources to establish a "Venture Management" initiative that would match experienced managers with new or expanding agri-business. This initiative would accelerate development, reduce the number of projects that fail and retain/ develop management and leadership skills in the province.

II. Taxation

a) Targeted tax relief or research grants for companies, cooperatives and/or non-government organizations that commercialize research leading to investment and employment in Saskatchewan.

b) It is recommended that the government explore the adoption of a "Saskatchewan Value-Added Tax Credit" within the next year.

c) It is recommended that the Corporate Capital Tax be changed so that the exemption threshold is increased or that the tax is based on profitability.

d) It is further recommended that ACRE form a sub-committee to deal specifically with taxation and the impacts on rural economic development.

III. Capital & Investment

a) That the provincial government establish a source of patient, affordable capital specifically for Saskatchewan based agri-business ventures.

b) That the government establish a fund that would enable equity investment into new or expanded agri-business by smaller groups of interested investors in local communities.

c) That Saskatchewan Agriculture and Food develop and lead an Agribusiness Investment Strategy. This strategy would identify an "investment team" that actively co-ordinates and pursues attracting entrepreneurs, agri-business partners and capital into the province in targeted sectors.

d) That the Saskatchewan Securities Commission increases the threshold for exemptions for agri-businesses from $1 million to $5 million.

IV. Infrastructure

a) It is recommended that the government co-ordinate a stakeholder evaluation of the viability of creating a "Food Park" in support of the food processing industry. This evaluation would identify the capacity that is currently available to support a developing food processing industry.

b) It is recommended that highway corridors based on access to centres of trade be established by the government of Saskatchewan as a fundamental element of building a strong processing industry.

c) It is recommended that the Government of Saskatchewan actively pursue increased air access to Regina and Saskatoon to meet the needs of business travellers.

d) It is recommended that the Government of Saskatchewan lobby the federal government to create open access on the rail infrastructure to enhance competition.

e) That the provincial government explore the economic feasibility of constructing a world scale container port.

f) That the Rural Revitalization Office lead a project to develop and maintain a comprehensive catalogue of provincial resources by 2003 in support of provincial economic development.

V. Labour

a) It is recommended that the Saskatchewan government, organized labour and industry enter into a review/dialogue to establish the measures necessary to create a positive, competitive and progressive labour environment. Included, as a specific objective is a fair, equitable and effective workers compensation program in Saskatchewan.

b) It is recommended that the ACRE round table on labour investigate ways to work co-operatively with First nation and Metis people to increase their employment opportunities in rural Saskatchewan.

VI. Regulatory

a) That SAF work with government and industry stakeholders to develop a streamlined provincial approval process to facilitate the development of agri-business enterprises. This would effectively provide a high-level policy harmonization in Saskatchewan.

b) That SAF undertake a proactive Intensive Livestock Operation (ILO) site development process. Working in partnership with local communities interested in economic development, SAF would attain all of the regulatory approvals needed to develop an ILO. Once complete, SAF would turn the approved site over to the community so they can market it to ILO proponents.

c) The Governments of Saskatchewan and Canada along with industry develop a comprehensive food safety regulatory framework and training program for the provincial agri-food industry that would address the needs and concerns of all points along the food chain.

d) That the government of Saskatchewan establish sector specific Technical Business Assistance Teams using existing resources that would provide assistance to new or expanding businesses. These teams would be assigned to development projects throughout their duration and would assist in: location analysis, accessing equity and debt financing, navigating the regulatory requirements, determining/negotiating business costs (i.e. utilities), accessing training and other programs and overall problem solving.

VII. Communication

a) The Government of Saskatchewan implement a focused communications strategy with industry and community organizations to communicate that Saskatchewan is a place of opportunity. This proactive communication needs to occur both within the province and beyond and would cover areas such as business environment and our competitive advantages.

b) That the provincial government work with the two large Saskatchewan daily newspapers to promote the positive side of the agri-food industry.

c) That Saskatchewan Agriculture and Food initiate an '*Award of Merit for Leadership in Agriculture*' to celebrate leadership and success in the value-added industry. This award should be presented by the Premier to create a very high profile.

THE SASKATCHEWAN AGRI-VALUE INDUSTRY

Saskatchewan Agriculture and Food (SAF) has identified 5 broad categories of value-added agriculture:

- Animal Products
- Plant Products
- Food Processing
- Agri-Fibre
- Feed.

Each of these categories has been further broken down into specific sectors.

Animal Products

- A red meat sector includes beef, pork and specialized livestock because of their commonalities in processing. All three sectors have seen impressive growth in the last decade, due in part to the natural production advantages and the loss of the Western Grain Transportation Subsidy (CROW) in 1995.
- A supply-managed sector consists of poultry, dairy and eggs. Because of the production regulations, growth is dictated by policy. In chicken, for example, production quota will double by 2003 providing the opportunity for increased feed and animal processing.

Plant Products

- Fruit processing is relatively new in Saskatchewan, but has grown to 10 full-scale processing companies. Demand for processed jams, pie fillings and syrups continues to grow, especially in the specialty and retail markets.
- The nutraceutical industry is also relatively new in this province. "A 15% annual growth rate over the next three years is anticipated for…functional foods and nutraceuticals." In Saskatchewan, growth in the number of companies has been significant from only a few in the early 1990's to more than 50 in 1999. [3]
- Herbs and spices is another growing sector of value-added agriculture. "North American consumption of medicinal herbs continues to increase at a rate of 20 - 30% annually."[4] The Saskatchewan Herb and Spice association is forecasting growth rates of 400% for spices in this province.
- Pulse crop production and processing is one of Saskatchewan's most prominent success stories. This industry has seen 1100% growth in the last decade, and similar growth is projected by the Saskatchewan Pulse Growers Association to continue until at least 2010. There are currently about 128 special crop processors in Saskatchewan employing more than 1,200 people.
- The global organic industry is another segment of rapid growth. In many countries, annual growth of the organic food trade is estimated to be approximately 23%.[5] In Saskatchewan, the number of organic producers has increased by 48% between 1998 and 1999, and the number of processors has also steadily increased in recent years.
- Vegetable/Greenhouse. Our climate is somewhat restricting here, but greenhouse and potato production have contributed to growth within this sector. Between 1995 and 1998, total Saskatchewan vegetable and floriculture exports increased by 344% and seed potato exports have increased by 393%. While our climate may be harsh for production, it is also an advantage (at least in seed potato production) because many pests cannot survive a Saskatchewan winter. This is often referred to as "*Northern Vigor*".

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[3] Nutrition Business Journal, 1997.

[4] State of the Industry Report: Low Acreage and Special Crops. Ontario Ministry of Agriculture, Food and Rural Affairs. 1996.

[5] Organic Food and Beverages - World Supply and Major European Markets. ITC. October, 1999.

Food Processing

- As mentioned, food and beverage processing in Saskatchewan is in a strong growth period. Most of the estimated 300 food and beverage processing companies in Saskatchewan are small to medium, measured in size in terms of employment, assets and annual sales. Food exports from Saskatchewan have increased by over 90% since 1993, which according to Statistics Canada, is the highest growth rate in the country.
- Saskatchewan has a stable milling and baking sector. The number of mills has actually decreased, but value has increased in both domestic and export markets. An interesting fact is that only about 20% of the milling wheat produced in Canada is processed in Canada; 80% of Saskatchewan's milling wheat is exported as raw material.

Agri-Fibre

- This is a relatively new sector of non-food processing, but it is steadily growing in importance. Agri-fibre uses include flax straw for industrial use (i.e. car door paneling) and insulation, wheat straw for fibreboard, canary seed straw for egg trays. Continued pressure on a renewable source of wood products will drive demand for agri-fibre.

Feed

- The feed industry is now the 16th largest manufacturing sector in Canada.[6] International market expansion in the meat and pork sector has driven this demand, and animal health concerns in traditional feeds (bone meal) will support a strong and growing market for feed products. Feed pre-mixes, alfalfa pellets/cubes, double compressed timothy hay bales and even pet feed appear to be areas of growth for Saskatchewan.

GLOBAL TRENDS AFFECTING THE VALUE-ADDED SECTOR

Saskatchewan firms now compete in a global agri-value industry. The influences of technology, consumer demand, marketing, capital flows and consolidation/concentration towards multi-national organizations has extended agri-food trade across the globe. While this has complicated the methods needed to participate in this industry, it is also good thing for Saskatchewan, as it provides us with a great opportunity to add value to our primary agriculture production. Instead of exporting low value, high-density products to other areas for further processing we should (where it makes economic sense) process the same products and increase the value-added activity in this province.

The global market for processed food and non-food products is driven by many forces. These forces set the context for the Saskatchewan agri-value industry.

Food Safety

One only has to look at the news to witness growing concerns over food safety. Reports on Foot and Mouth disease, Mad Cow disease, *e-coli* contamination and other food-borne diseases are increasing and this suggests a growing concern over food safety.

A December 1999 report by Environics International explores consumer attitudes related to food safety and biotechnology in several countries[7]. Questions explored included level of concern and confidence in food products. The results of this study are summarized below.

The following chart illustrates that food safety is by far the food issue that causes consumers the most concern. Germany and Japan were also surveyed

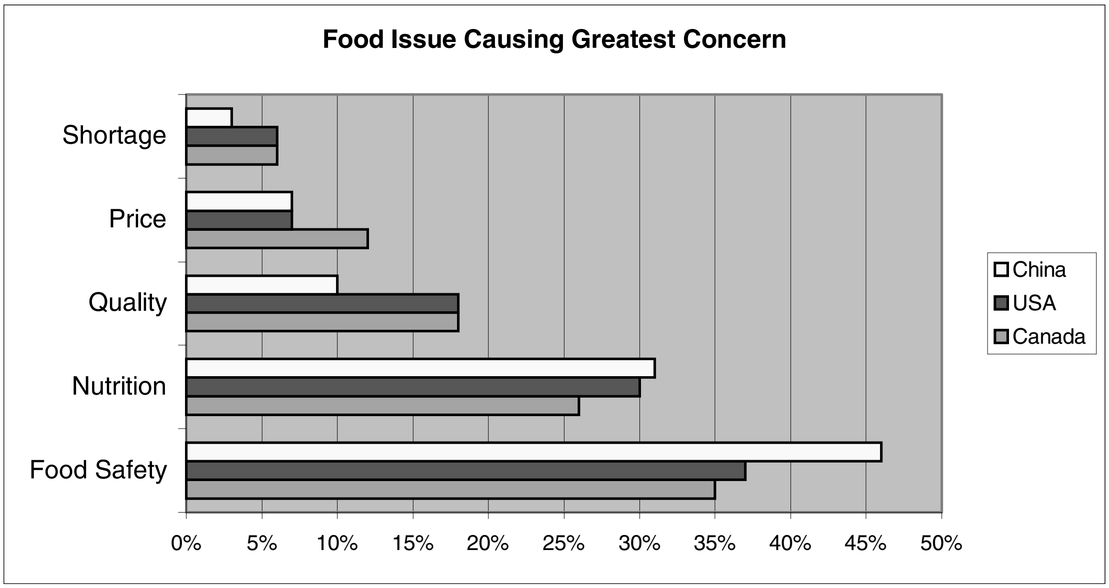
[6] Canadian Food Inspection Agency. Facts and Figures - Canadian Feed Industry Association. 1999

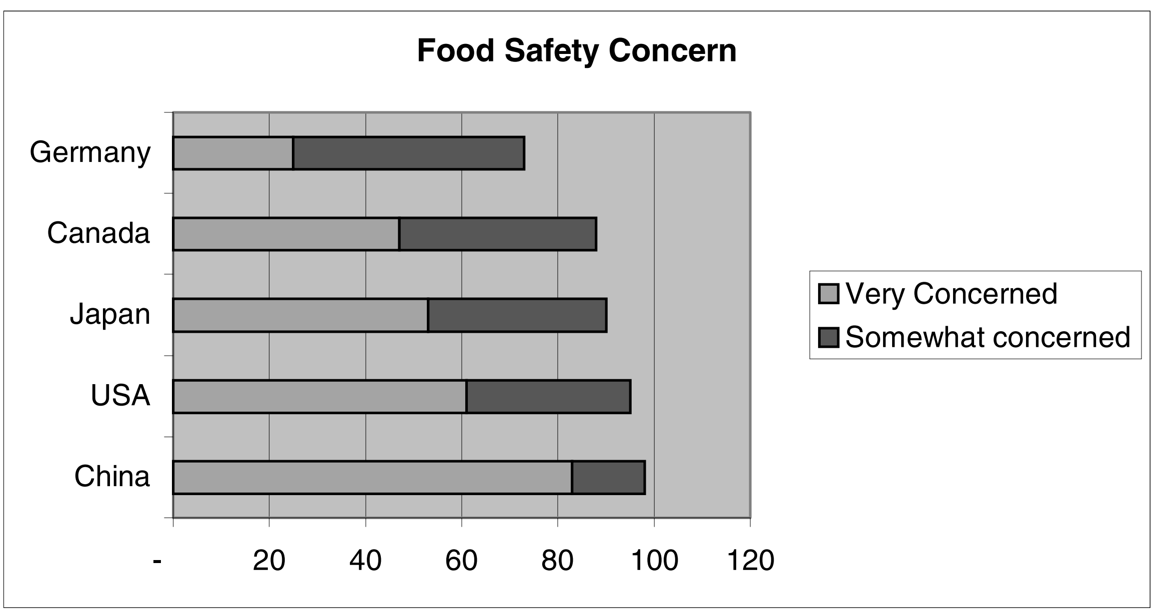
[7] Environics International. International Survey on Food Safety and Biotechnology. December 1999.

and the level of concern with food safety is even higher than the Canadian, US and Chinese results.

In the same survey, respondents were asked to comment on their level of concern over food safety. The results illustrate that not only is food safety the largest food issue, but the majority of consumers are quite concerned over the safety of their food products.

For food processors (and producers) the implications are clear: food must be safe. All of the above results clearly indicate that there is growing concern over the food that we eat. As consumers become more educated and as technology continues to advance, food safety will continue to be an issue, at least until policies and practices in food production and processing can unequivocally guarantee safe food.





And producers/processors are moving in that direction. Hazard Analysis Critical Control Points (HACCP) is a new way of approaching the management of chemical, physical and biological hazards, which affect food production. When organizations implement a HACCP system, they are making a commitment to produce safe food. In Saskatchewan in 1999, 16 food-processing companies had implemented a HACCP plan. In 1999, the Canadian Food Inspection Association (CFIA) issued an industry communiqué to all federally inspected meat and poultry establishments that they were making HACCP mandatory. This move was made to ensure safe food and to keep pace with the USA who also issued a mandatory system shortly before. It is clear that future market access (especially international market access) will depend on the systems that producers and processors have implemented to ensure the safe production of food.

Global Trade & Demographics

More and more players are participating in world trade in agricultural products. Between 1985 and 1996, world trade doubled to a value of $464 billion US. As governments continue negotiations towards freer trade (i.e. Free Trade Zone of the America's), those trade numbers will increase. But there will continue to be opposition to global trade. Trade distorting practices, subsidies, trade barriers in other exporting jurisdictions directly impact the economic viability of our agri-food industry. The outcome of future World Trade Organization (WTO) negotiations will have a major impact on both the primary and value-added industries in Saskatchewan.

The world's population has now eclipsed 6 billion people, a 22.5% increase since 1986. The United Nations is projecting that 9 billion people will inhabit the earth by 2050 and level off or decline thereafter. Rising income levels in developing countries could have a major impact on demand. Growth in food exports is expected to continue to between $626 billion and $745 billion US by 2005 (Canada's International Business Strategy).

Consumer Driven Food Markets

The consumer holds ultimate power in the food industry. But consumers can be influenced by large multinationals through costly and extensive marketing campaigns, exclusive product supply arrangements with retail chains, and innovative communications. The agri-food industry needs to adopt equally sophisticated marketing approaches to enhance their successes. That said, if consumers do not like something, they will not buy it. When it comes to their own health and well being, consumers will be extra careful when considering what to eat and drink. The food safety issues discussed above demonstrate that consumers are driving the international food markets. This force is particularly evident on two fronts: the growing demand for organic food and consumer resistance to genetically modified food.

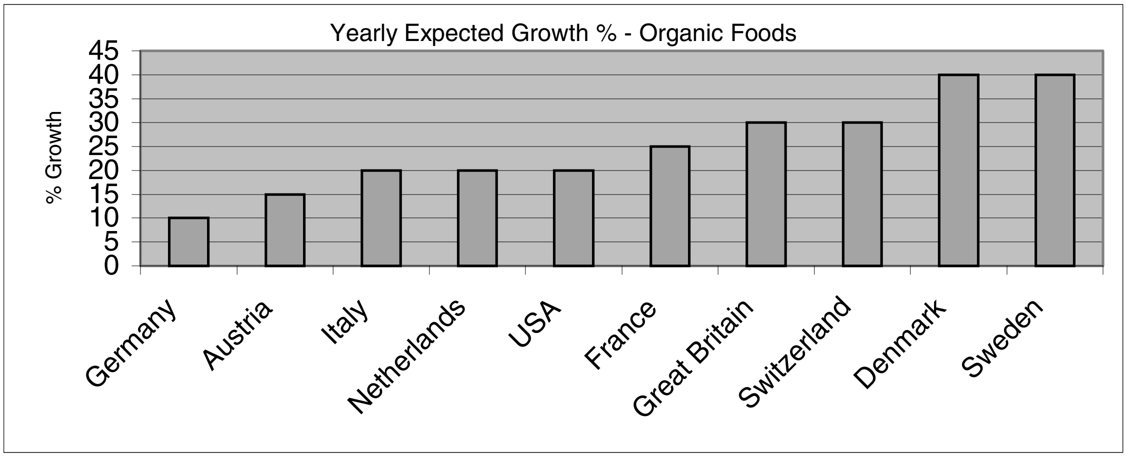
Global demand for organic products is increasing at an estimated 20% to 30% annually[8], and Saskatchewan is in a position to capture some of that growth. There are many factors driving this growth, which is expected to continue far into the future. As mentioned, food safety is a major driving force for organic food consumption. Reality or perception, the effects of intensive production, biotechnology, 'frankenfoods', and chemical residues are a serious and growing concern with many consumers. The following chart illustrates organic demand growth projections in several European countries and the USA.[9]

In Canada, the Saskatchewan organic agriculture industry has led the way in growth. According to Macey[10], Saskatchewan had a 48% increase in the number of certified organic producers between 1998 and 1999. But Macey's number of 626 organic

[8] http://www.ifoam.org/orgagri/index.html

[9] Willer, H. and Yussefi, M. Organic Agriculture Worldwide 2001 - Statistics and Future Prospects. On-line. Internet. Available: http://www.soel.de/inhalte/publikationen/s_74.pdf

[10] Macey, Anne. 2000 Canadian Organic Growers. Appeared in Winter 2001 Eco-Farm & Garden.

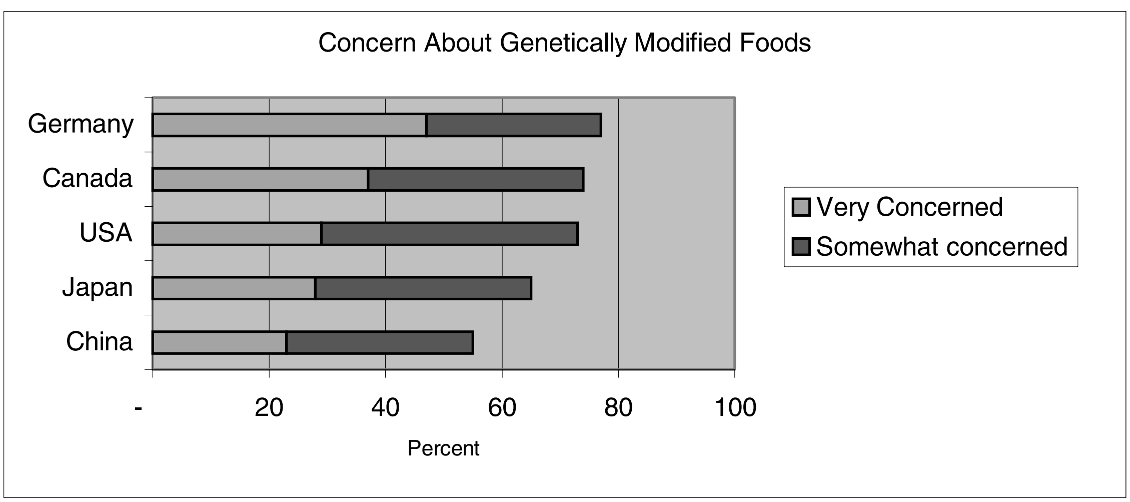


producers is somewhat dated and does not capture the recent surge in numbers. A February 2001 study by the Saskatchewan Organic Directorate indicates there are 986 current organic producers in this province[11]. The survey also identified consistent and large increases in the number of organic acres over the next year.

Consumer resistance to genetically modified foods is also evidence that they are driving food markets. The Environics study cited earlier concludes, "...nearly seven out of ten people in the five countries surveyed conclude that they are at least somewhat concerned about the genetic modification of their food."[12] This is illustrated in the following graph.

Technology

In primary agriculture, technology has made great strides. In the face of depressed commodity prices and rising input costs productivity continues to increase. Many farmers are in a serious cost/price squeeze, but some have been able to tackle shrinking profit margins by adopting innovations and capturing economies of scale. Some have been able to use technology to increase their ability to compete in global markets. New crop varieties, improved animal breeding techniques, efficient machinery, and smart chemicals have all been made available to primary production through technological innovation. Genetic modification technology is capable to significantly change agriculture. In spite



[11] Frick, Brenda. Production Statistics for Organic Agriculture in Saskatchewan for 2002.

[12] Environics International. International Survey on Food Safety and Biotechnology. December 1999.

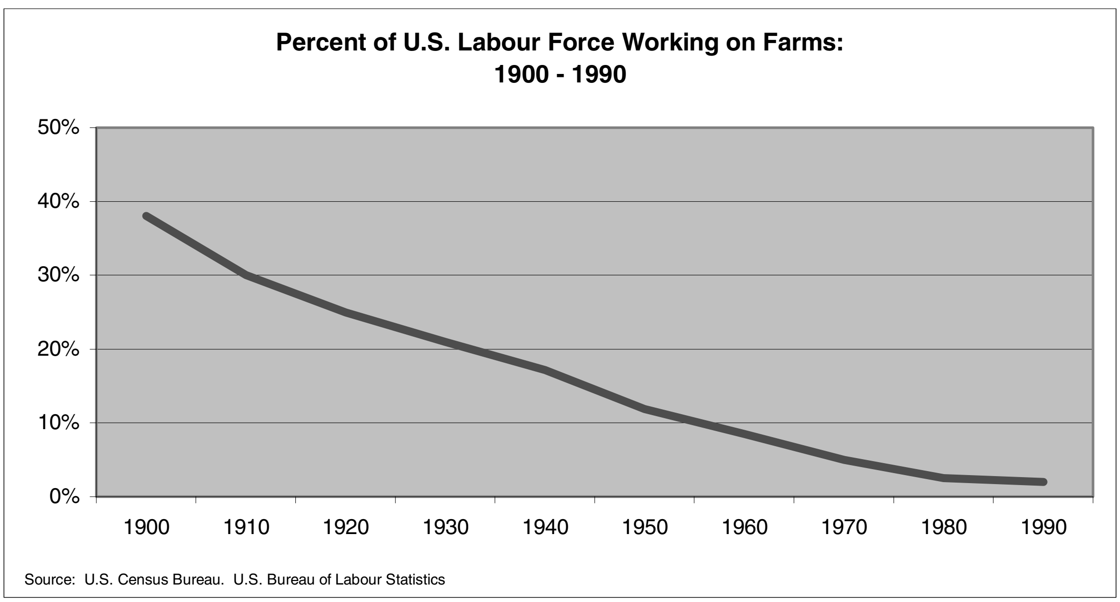
of these technological advances, consolidation of farms and increased farm size will likely continue as margins continue to shrink.

In the agri-value sector, technological innovation is also evident. Food processing is now much more than milling wheat to flour. Techniques such as protein/nutrient extraction, functional food/nutraceutical product development, rapid chilling techniques and irradiation are enhancements to food processing made possible by technological innovation. Technology has also allowed for automation and computerized least cost formulation of feed premixes. This, in turn, has led to integrated feed and livestock operations that are more efficient than in the past.

Rural Depopulation

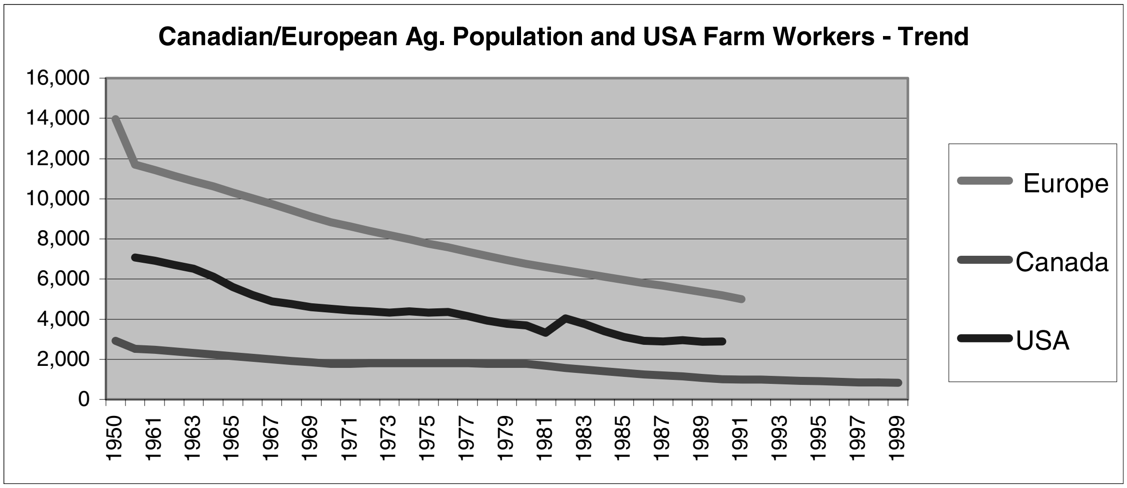
Technology has allowed/required less labour to be used in the efficient production of agricultural products. This has resulted in the number of farmers to decline in all of the advanced countries of the world at a time when agricultural production is increasing.

Rural depopulation is a significant trend in Saskatchewan. It is no secret that our rural communities are shrinking. Statistics Canada Census data shows the population in most Saskatchewan rural communities declined between 1986 and 1996. A sample of some of the larger rural communities over that time demonstrates a drop in population by 3%. For value-added industries located outside of the larger centers, depopulation can lead to employer difficulties in finding and retaining employable people.



But this trend is not unique to Saskatchewan. Rural depopulation is a trend across Canada and around the globe. One way to quantify this in the USA is to look at the decline in farm labour. The following chart shows a clear trend toward fewer farm employees in the United States.

The European Union is not exempt from this trend either. Records in the EU track Agricultural population, and the 30-year trend is also downward. This is illustrated on the chart on the following page, which compares Canadian and European agricultural population and USA farm workers.

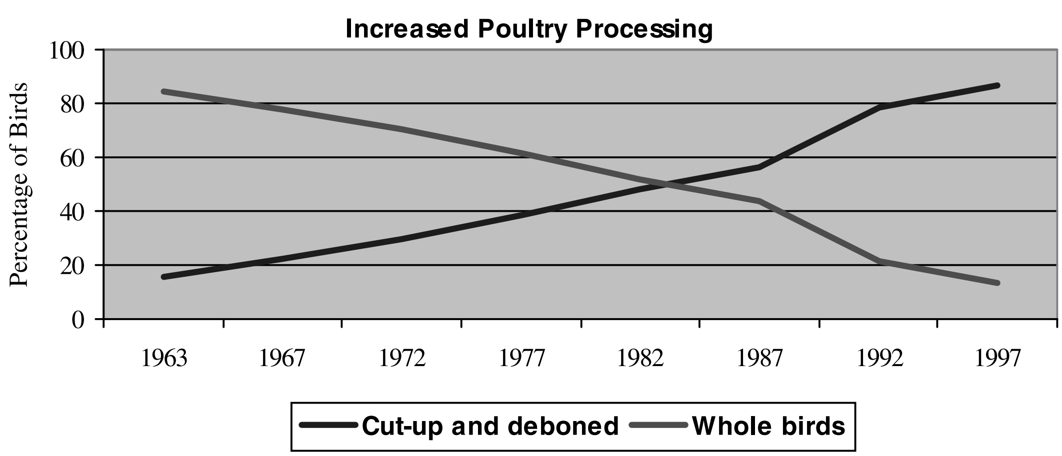


Deforestation

Deforestation is a reality. One report from the University of North Carolina states that global clear-cutting removes 214,000 acres of forest every day.[13] Another document specific to Canada states that "Under current management practices, harvesting rates appear unsustainable over the long-term."[14] This pressure on the global and national forest supply means that alternative sources of building materials will need to be developed, and Saskatchewan's abundant source of agri-fibre is an effective and sustainable alternative.

Increased consumption of processed foods

Processed food products are continuing to increase. This has pushed the producer further and further away from the end consumer. This has meant that it is harder for the producer to identify changing consumer needs and has meant that revenue stream to the producer comes from the processor. The following chart depicts the increased processing in the poultry industry.



[13] University of North Carolina. On-line. Internet. Available: http://www.uvm.edu/~cbanks/.

[14] Global Forest Watch. Canada's Forests at a Crossroads: An assessment in the Year 2000. On-line. Internet. Available: http://www.wri.org/gfw/pdf/canada.pdf.

Globalization in food manufacturing and handling

Rationalized handling - The food handling business is increasingly concentrating suppliers and warehouses in a few locations. Processors wishing to supply the traditional high volume market have to have large capacity and to avoid transportation charges look to being close to the warehouse distribution points. With the concentration of facilities in a few locations, producers who would most likely participate in the small scale processing industry would have difficulty with accessibility.

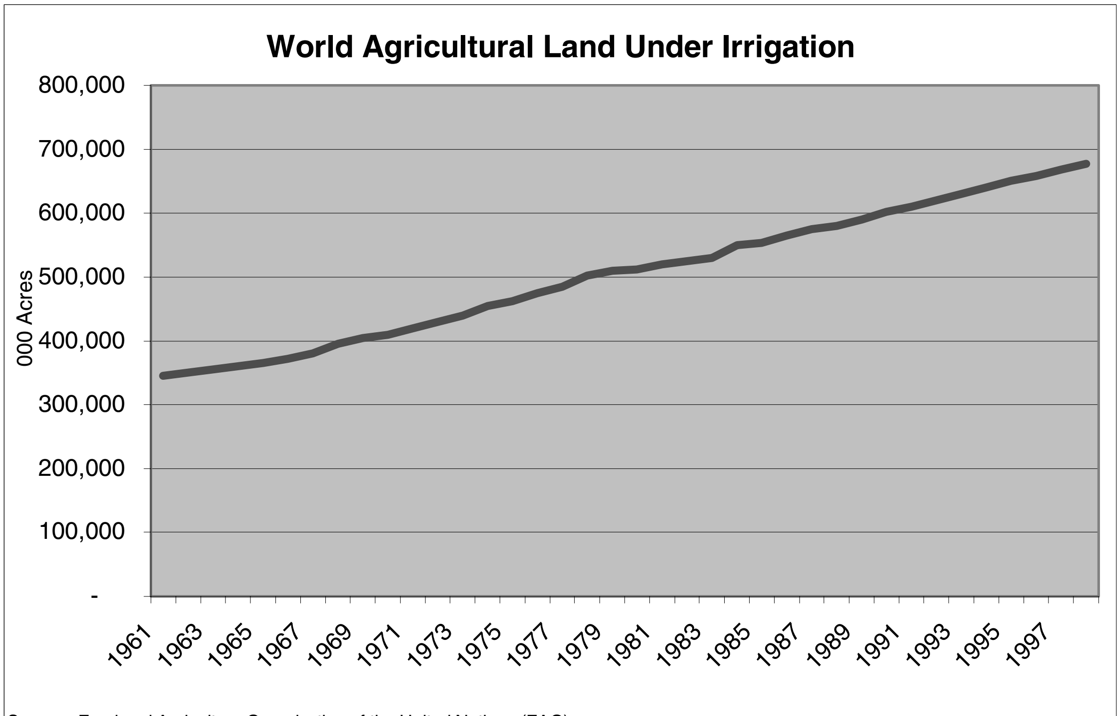
Corporate concentration - in many of the key sectors of agriculture or service providers there is a rising concentration of market power nationally and globally. Further, the concentration of power is moving vertically as well as horizontally - grain company linking with biotech companies supplying producer's inputs versus grain companies buying grain companies to get larger and increase market share. The number of mergers and acquisitions throughout the food production chain is evidence of globalization.

Water

In many of the key agricultural producing areas of the world access to water as a necessary element of agricultural production is being limited by other uses. Further, extensive use of water has begun to reduce its availability. Many value-added businesses utilize high amounts of water in their processes and a consistent supply of high quality water is essential to their success.

Environmentalism/Animal Activism

Environmentalists have generally not paid much attention to farming or to the practices of farming as they have concentrated their efforts in other areas such as manufacturing and forestry. This will likely change in the future as environmentalists begin to focus on intensive farming. Large-scale livestock operations like hog barns and feedlots have been targets of animal rights activists in other regions, and Canada/Saskatchewan can expect to experience an increased lobby for animal rights.



Source: Food and Agriculture Organization of the United Nations (FAO)

This is not to say that there are no legitimate environmental concerns. In fact, sincere concern for the impact economic development will have on local environments need to be addressed. Proponents of intensive livestock operations should embrace constant environmental improvement as a good business practice. It is equally important, however, that calls for environmental improvement be based on sound and proven scientific facts and not on an unsubstantiated premise of environmental degradation.

SASKATCHEWAN TRENDS AFFECTING THE VALUE-ADDED SECTOR

Rural Depopulation - Availability of Labour

The oil boom in Alberta, and the likelihood that high energy prices will continue as a result of the world wide desire to reduce energy consumption will mean that the divergence in wealth between Alberta and the rest of Canada will continue to widen. Unlike a national government blessed with wealth, Alberta's wealth will be easier to attract labour resources from other jurisdictions and to create its own critical mass for other economic activity. This will be a constant magnet pulling resources from Saskatchewan and threatening many forms of economic growth that we may pursue.

Transportation Reform

Transportation reform and other factors have led to significant transportation and grain handling consolidation in Saskatchewan and around the world. The full impact of this reform will lead to fundamental changes to the type of transportation infrastructure that is available to rural Saskatchewan. It will not be an option to keep all roads at least in their current configuration. We are also in a period of rail-infrastructure rationalization. A collective and collaborative approach to rail branch line network utilization would certainly benefit the agri-food industry as it promises the lowest cost per unit for shipping long distances.

Consolidation of Head Office Power in Calgary

While statistics are hard to come by, anecdotal evidence clearly suggests there is a trend to consolidate head offices in the larger centers such as Calgary. This consolidation makes sense logistically, but creates another challenge for Saskatchewan. Head offices are home to the higher paying jobs and the leaders who have the skills and abilities to perform economic development activity. Regional offices are numerous throughout Saskatchewan, and while they house good managers, these managers do not typically have the authority to undertake development activities beneficial to specific communities.

Consolidation of Distribution in Calgary

Transportation warehousing and distribution activity is also consolidating in the larger centers like Calgary. And again, the logistical and economic advantages for this concentration make good business sense. But to gain access to these distribution hubs, Saskatchewan is disadvantaged simply because of the geographical distance.

Venture Capital Investment

Industry leaders indicate that there is a lack of venture capital in Saskatchewan. This void means that the risk capital and growth development needs of Saskatchewan entrepreneurs are not being met. The conclusion is that many initiatives do not proceed or they proceed in another jurisdiction. Since 1994, Saskatchewan's venture capital investment has remained relatively flat in the range of $40 to $45 million per year. At the same time, venture capital investment in Western Canada has increased by 318%. In comparison, Manitoba's venture capital activity has been 40% higher than Saskatchewan's.

SASKATCHEWAN OPPORTUNITIES & CHALLENGES

The current trends in the global agri-food industry present Saskatchewan with many opportunities. For the value-added sector, impressive growth in global demand provides a great opportunity. But there are also many challenges that need attention before we can fully capture all of those opportunities.

Opportunities

- To further develop the food processing industry;
- To fully utilize the comprehensive supporting infrastructure;
- To add value to a wide variety of low cost raw materials;
- To take advantage of our strong research and development support;
- To take advantage of our central location - we are the “belly of Canada”;
- A stable supply of high quality water in many regions of Saskatchewan;
- Room for development that is better suited in a rural location (hog barns);
- To make use of a hard-working, well-educated, skilled and productive work force;
- To reduce cost of production - Saskatchewan offers a lower cost of doing business;
- To promote our advantages - a low cost of living and a healthy and safe lifestyle;

Challenges

- To change negative attitudes that we are a “have not” province;
- To mobilize leaders and entrepreneurs to develop opportunities;
- To access sufficient financing for development;
- To deliver product to major consumer markets;
- To stem the flow of our knowledge base to other jurisdictions;
- To tell the world who we are and what we can do;
- To maintain infrastructure and to build where necessary;
- To invest in food or other processing in Saskatchewan by encouraging local entrepreneurship, harnessing provincially generated capital and attracting companies to invest here.
- To reverse the decline in rural resources.

AGRI-VALUE RECOMMENDATIONS

Foreward

In the section that follows there are a series of recommendations intended to address a key issue for Saskatchewan. That issue is one of building capacity.

Capacity development is a complex process of human and institutional change. It encompasses our provinces human, scientific, technological, organizational, institutional, infrastructure and resource capabilities. The aim of capacity building is to enhance the province's ability to evaluate and address issues as they arise, target the crucial questions related to policy choices and finally to implement the development options that are effective and appropriate. Building capacity in the province will be based on three realizations: building capacity is a continuing, learning and changing process, it requires systematic approaches, and it requires better integration of individuals, communities and organizations.

We cannot loose sight of the fact that capacity is an outcome. Factors which determine the magnitude of our capacity are: viable institutions, leadership and vision, financial and material resources, skilled human resources, efficient work practices such as systems and procedures and the appropriate incentives. Context matters in the building of capacity. The presence of an environment that is supportive will shape the outcome. Political, cultural and psychological factors are the most difficult challenges we will have to overcome.

There are two distinct approaches to build capacity in the agri-value area; focus on developing opportunities and focus on solving problems. The focus on developing opportunities looks forward and underscores the need for growth and newness. A focus on solving problems attempts to eliminate problem situations that are a roadblock to change. Both approaches are necessary.

The following recommendations look to address both strategies of developing opportunities while simultaneously seeking reform. Clearly it is the opinion of the committee that both must be aggressively pursued.

Inherent in this discussion is the basic assumption that change is necessary. We have to agree as citizens that development of a thriving agriculture value-added sector is critical for the survival of both rural and urban Saskatchewan. We also have to evaluate our relative position in the Canadian economy and reflect on the decisions we have taken and the outcomes we have seen. We can no longer continue to fine-tune our agriculture strategies and simply tinker around the edges of very difficult issues. We have to identify the landscape that we want to build, recognizing that change is inevitable, and take measured steps and risk to elevate our standing.

The process of building our capacity and subsequently our likelihood of success will take much more that the ideas articulated below. The recommendations in this paper are intended to be directional in nature and merely a starting point.

Building Opportunities

Leadership and Vision

In Saskatchewan some would suggest we have an attitude problem. Wealth accumulation is not viewed with the same degree of acceptance that you would find elsewhere in this country. While not a scientific evaluation, both of these opinions were evident in the consultations with agri-businesses in and out of Saskatchewan. In turn, this attitude has shaped our way of doing business. We do not embrace or celebrate financial success and are often cautious about it. This attitude is pervasive and affects our self-image and how others view our province. It then impacts our ability to develop businesses in the value added agriculture and food industry. Since we have had limited success in attracting these types of businesses, we lack the critical mass of leaders required to grow this industry.

Leadership is essential to affect positive change. It takes someone with ability, drive, resources and entrepreneurial skills to grow the industry. But the consultations concluded that there is a deficiency in the number of leaders and leadership skills in rural Saskatchewan. The consensus is that

Saskatchewan needs to develop leadership skills by training, through a mentorship program and/or by attracting new or expatriate leaders back to Saskatchewan. Having leaders is critical to building capacity. They are decision makers, they have the capacity to influence and train entrepreneurs, and they have the capacity to communicate the messages that need to be heard.

A good example of skills training in rural Saskatchewan is the Green Certificate program. Designed for primary agriculture, the Green Certificate program provides on farm training for young people in seven production sectors. The Green Certificate Program's objectives are:

- to develop technical and managerial skills in those desiring to enter or continue a career in farming;
- to provide the means for certifying the achievement of skills by a formalized practical testing system;
- to develop and maintain a base of competent employees for the agriculture industry;
- to increase the knowledge in farm management and improve human resource planning in agriculture.

The program is deemed to be very successful by all participants. Since its inception in 1995, 130 certificates have been awarded in the dairy, feedlot, cow-calf, swine, field crop, sheep and aerial application sectors. There are currently 247 registrants in the 7 sectors of the Green Certificate program.

There is also a strong consensus in rural Saskatchewan that leadership must come from the provincial government. A perception has developed that governments have been active in imposing regulations to control activities of business, but haven't been active enough in their role of creating a positive climate for the growth of business, particularly agri-business. In addition, many feel that there are bureaucrats within government that are not supportive of growth or diversification, and have hampered change by their actions. Once again, this sends a negative signal to industry and entrepreneurs about the commitment of the government to affect positive change. The leaders have to lead by example, and that means government leaders need to demonstrate a clear desire to be the leaders and partners in industry development.

Recommendations:

- **That the provincial government develop a recognized program that provides people with the opportunity to build their entrepreneurial, leadership and management skills in the agri-value sector.**

- **That all provincial government leaders emulate a desire towards growth and economic development in Saskatchewan.**

Mentorship

The development of a vibrant agri-business industry in Saskatchewan is more than good projects with adequate capital. It is essential that projects include an experienced management team and a well-developed business plan. Many of Saskatchewan's entrepreneurs emerge from either a scientific or production background and have limited experience in finance, marketing and human resource development. All of these skills are essential to taking their business through various stages of development or growth. Overall, this lack of business acumen limits the growth potential of the agri-value sector in Saskatchewan.

This lack of key business skills also increases the likelihood that projects will fail. The financial community rapidly develops an aversion to lending into or investing in a sector that has a high "mortality" rate. Projects that fail due to poor management make development of the next project in that sector much more difficult.

Saskatchewan has experienced CEO's or individuals with senior management experience that if utilized could be a definite asset to the province. However, many leave Saskatchewan because they do not see an opportunity to use their skills in interesting or rewarding ways. This exit of experienced people has significant impacts on the industry and its potential for expansion in the province.

The First Nations Community is assembling a significant number of agricultural resources and is seeking business opportunities to create jobs and address the unemployment issues facing their people. Business and management experience should also be enhanced through leadership and mentoring programs.

Recommendation

- **The Saskatchewan government utilize existing resources to establish a "Venture Management" initiative that would match experienced managers with new or expanding agri-business. This initiative would accelerate development, reduce the number of projects that fail and retain/develop management and leadership skills in the province.**

The Environment

The first question that must be answered if we are going to increase Saskatchewan capacity to include a thriving agri-value industry is " Where are we now?" What is the capacity within the province to develop opportunities that arise or attract proponents that have the ability to develop agri-value initiatives in the province? Throughout the many consultations conducted a common theme emerged. Saskatchewan doesn't recognize the possibilities or strengths that exist in it's own back yard. There needs to be a systematic, comprehensive cataloguing of the available resources in this province. These resources could include existing companies, physical infrastructure, human resources, available raw materials, and transportation networks to name only a few.

The cataloguing cannot end with merely an understanding of rural strengths. Saskatchewan is a small province with the rural and urban economies highly reliant on each other. We must develop an understanding of the research infrastructure, financial capacity and institutional support that exists in our larger centres. We cannot market one element of our province to the world without including the other.

Beyond simply cataloguing the existing tools we have, we need to identify their long-term viability. Can we continue on the path we are on and reasonably expect to replenish our resources over time or do we have to change the way we build, support, regulate or develop our capacity.

Additionally this process will reveal those gaps that exist in our communities. This can assist us in refining our choice of opportunities that can be pursued or it can result in identification of key things that must be done prior to undertaking any development initiative. The cataloguing process would include but would not be limited to water, highways and municipal roads, labour force, and utilities. Resource limitations and an outline of possible development opportunities could also be included.

Recommendation

- **That the Rural Revitalization Office lead a project to develop and maintain a comprehensive catalogue of provincial resources by 2003 in support of provincial economic development.**

Innovation

The Saskatchewan agri-business industry will need to be innovative if it is to survive. It will have to become innovative in its processes, procedures and products destined for specialized markets. Saskatchewan needs to move up the value chain.

Knowledge is one of the competitive advantages Saskatchewan can exploit. This knowledge can successfully be obtained through targeted research leading to innovation based on use of our raw resources and the application or commercialization of this innovation. If our province is to prosper, innovative uses of technological advancements and new applications for existing technology must be commercialized here in Saskatchewan.

In the consultations with Saskatchewan agri-businesses, it was pointed out that there are government funds for research and development. Saskatchewan has invested heavily in primary research, in large part because of the existence of the University of Saskatchewan and their related need to conduct research as part of their mandate. Programs such as the Agriculture Development Fund (ADF), the Agri-Food Innovation Fund (AFIF) and research and development tax credits have historically provided grants for R&D. But there is no funding available in Saskatchewan to commercialize research.

Recommendation

- **Targeted tax relief or research grants for companies, cooperatives and/or non-government organizations that commercialize research leading to investment and employment in Saskatchewan.**

Investment

First time agri-business proponents as well as those with tenure have identified access to capital as a significant limiting factor. This is unique to Saskatchewan. Since 1994, Saskatchewan's venture capital investment has remained relatively flat in the range of $40 to $45 million per year. At the same time, venture capital investment in Western Canada has increased by 318%. In comparison, Manitoba's venture capital activity has been 40% higher than Saskatchewan's.

For many companies the role of Crown Investments Corporation, the Saskatchewan Opportunities Corp., the Agri-food Innovation Fund or their predecessors were identified as a deciding factor or stabilizing influence in their development. They give high praise to the access, quantity and quality of capital available through these channels. But not all organizations can or want to access funds from these sources. There may be agri-businesses that do not meet the minimum size requirements of the CIC and may have trouble sourcing capital for their developmental needs. Others may find the terms of capital unsuitable for their needs. Venture capital funds, for example, look for investments with a significant return. The nature of most agri-business initiatives does not fit with these criteria and they are typically forced to look elsewhere for capital.

The agri-value industry has also identified a concern with the Saskatchewan Securities Commission (SCC). Access to capital is very difficult for small agri-businesses because of the SCC regulations. There is currently a $1,000,000 ceiling under which businesses looking to raise capital are exempt from filing a prospectus with the SCC. But most agri-businesses are above that threshold and feel that the ceiling should be raised to help these small agri-businesses generate capital without the regulatory impediments of the SCC.

Recommendation

- **That the provincial government establish a source of patient, affordable capital specifically for Saskatchewan based agri-business ventures.**
- **That the government establish a fund that would enable equity investment into new or expanded agri-business by smaller groups of interested investors in local communities.**
- **That the Saskatchewan Securities Commission increases the threshold for SCC filing exemptions for agri-businesses from $1 million to $5 million.**

Alliances

Many companies speak to the value of critical mass and proximity to other processors. The proximity they describe does not necessarily mean distance to someone in the same business, but proximity to other businesses that share common interests in key elements of their business. Transportation, packaging supply, testing facilities, and access to skilled trades are a few elements where sharing can allow businesses to reduce costs.

For many companies the development of a critical mass that would allow the sharing of key services is important. The availability of appropriately zoned and serviced land with the supply of key pieces of infrastructure may be warranted.

Saskatchewan has two similar examples that demonstrate how development of a critical mass can help to kick-start a specific sector. The first is the establishment of Innovation Place at the University of Saskatchewan. This 'bricks and mortar' infrastructure investment helped the province to develop a world-class research and development community. The second example is the work being done in Regina to create a research park specific to the oil and gas industry. In Saskatoon, there are a number of key pieces of infrastructure that support the food processing industry. The Food Industry Development Centre, for example, was created in partnership with the Saskatchewan Food Processors Association and the University of Saskatchewan to support food processors. It has become a one-stop centre for product development and evaluation, interim processing, packaging and labeling and quality/safety excellence. The Centre is a key piece of a critical mass in the food processing sector that is developing in the Saskatoon area.

Recommendation

- **It is recommended that the government co-ordinate a stakeholder evaluation of the viability of creating a "Food Park" in support of the food processing industry. This evaluation would identify the capacity that is currently available to support a developing food processing industry.**

Investment Attraction

The development of agri-business in Saskatchewan needs proactive support. Without support at the community, institutional and government level, development will continue to occur at a slow and steady pace. This pace is far beneath the province's potential and far behind that necessary to stay abreast of comparable jurisdictions in Canada and beyond. Saskatchewan needs to work with both local and out of province entrepreneurs to develop our agri-food industry.

In the consultations with out-of-province agri-businesses, the leaders clearly stated that they do not receive adequate information from Saskatchewan regarding its competitiveness as a place to expand or establish business. Most responded that they would welcome more information from Saskatchewan as they now receive it from other states and provinces. Providing an on-going distribution of positive information regarding opportunities for growth in this province will facilitate investment attraction.

In other jurisdictions, programs that facilitate business development and/or expansion are highly successful. In Washington State, for example, the Office of Trade and Economic Development (OTED) has set up a Business Technical Assistance (BTA) Unit to provide technical and financial assistance for new and existing businesses. In essence, staff of the BTA work with companies to provide problem solving and technical assistance needed for business growth. The OTED website states that "The Business Retention and Expansion Program has helped retain and expand 262 manufacturing/processing firms resulting in the creation or retention of over 20,282 jobs and $62 million in state tax revenue in its ten years. For every state dollar spent, the program has generated an estimated $19 in state taxes."

There are similar investment attraction programs in Canada. In Quebec, activities of the Centre de coordination des projects économiques (CCPE) are aimed at:

- Improving the coordination of economic projects and the coherence of actions taken by various government players;
- Present, as required, an integrated government offer to promoters;
- Facilitate business interaction with government;
- Accelerating processing of economic and job-creation projects and;
- Ensuring administrative coordination.

Recommendation

- **That Saskatchewan Agriculture and Food develop and lead an Agribusiness Investment Strategy. This strategy would identify an "investment team" that actively co-ordinates and pursues attracting entrepreneurs, agri-business partners and capital into the province in targeted sectors.**

- **That the government of Saskatchewan establish sector specific Technical Business Assistance Teams using existing resources that would provide assistance to new or expanding businesses. These teams would be assigned to development projects throughout their duration and would assist in: location analysis, accessing equity and debt financing, navigating the regulatory requirements, determining/negotiating business costs (i.e. utilities), accessing training and other programs and overall problem solving.**

Focus on Solving Problems

Business Climate

Repeatedly project proponents have identified the need for a progressive, responsive, predictable business climate as a prerequisite for investment. Agri-business is a capital-intensive industry often with modest returns and significant risk relative to other sectors. A business climate that places them on a level playing field with their competitors in other jurisdictions is very important. Repeatedly the committee heard that all departments in the Government of Saskatchewan and it's Crown Corporations need to become more focused on creating a positive business climate, more co-ordinated in their efforts to develop targeted sectors and services, and more responsive to the needs of industry. Government (at all levels) and the Crown Corporations should not be barriers to sound business development opportunities.

Labour

Access to a sufficient quantity of highly skilled labour in a competitive labour environment was the most frequently cited concern in the consultation process. Saskatchewan's working-age population is not growing, it is increasingly clustered around large centre or cities and it is highly mobile. As companies consider making large capital investments with the expectation of 20 or 30 years production to extract the maximum return, uncertainty about the labour environment increases their risk. Business needs to understand and manage this risk as much as possible.

One of the first recommendations to come from ACRE (January 25th, 2001) dealt with access to migrant workers through changes in the immigration policy. This recommendation will certainly help to manage the quantity of labour but falls short of creating and maintaining a competitive labour environment. Throughout the interviews conducted with agri-business both within and outside of Saskatchewan there is a perception that this province's labour environment is unfriendly to business and not competitive with other jurisdictions.

Recommendation

- **It is recommended that the Saskatchewan government, organized labour and industry enter into a review/dialogue to establish the measures necessary to create a positive and progressive labour environment. Included as a specific objective is a fair, equitable and effective workers compensation program in Saskatchewan. The primary goal of this review, however, is to establish a system that is comprehensive, understandable, and as competitive as other jurisdictions where agri-value business is currently developing.**

The ACRE committee has acknowledged that labour is one of the most significant issues affecting rural Saskatchewan. To begin to address this issue, ACRE is in the process of setting up a separate committee to look at labour issues.

- **It is recommended that the ACRE round table on labour investigate ways to work co-operatively with First nation and Metis people to increase their employment opportunities in rural Saskatchewan.**

Taxation

Taxation is one of the key tools that government can use to influence economic change in this province. Targeted taxation initiatives and expenditures in combination can be used to promote growth. The effective use of these tools was repeatedly encouraged during consultation with companies in both the early and mature stages of development.

There are many places where government action is needed to address the needs of agri-business development. In fact, when asked what initiatives would stimulate the most growth, tax reduction was the first choice of most of those consulted. The agri-value committee identified two specific areas for government action.

The first is the Corporate Capital Tax (CCT). As previously mentioned agri-business is a capital-intensive industry. This tax includes both capital assets and inventory beyond a threshold of $ 10 million. The problem identified is this tax is not income based, so that regardless of whether the firm is profitable or not the tax must be paid. The CCT was implemented over 20 years ago and the $10 million threshold may no longer be adequate given the increasing capital-intensive nature of agri-business. By its nature this tax does not encourage the development of larger or capital intensive agri-business in the province. The second place where action is necessary is through the targeted use of tax credits to encourage expansion of existing firms or the attraction of new firms to the province.

Recommendation

- **It is recommended that the government explore the adoption of a "Saskatchewan Value-Added Tax Credit" within the next year. This tax credit could be available in two forms:**

  1. **Eligible agri-business companies would receive a 3-5 year tax credit on profits generated from expansion or new construction. Eligibility would be based on criteria that examined the opportunity being developed, utilization of raw materials, potential economic benefit to the province, import replacement, employment and economic impact.**

  2. **An alternative form of this program would be designed for junior firms who do not have access to capital for new construction or expansion. This would see government or private industry finance the necessary facility and equipment and then lease it back to qualified proponents. These proponents would be required to assign their Saskatchewan value-added tax credit back to government (or private sector landlord) as part of their lease obligation.**

- **It is recommended that the Corporate Capital Tax be changed so that the exemption threshold is increased or that the tax is based on profitability.**

- **It is further recommended that ACRE form a sub-committee to deal specifically with taxation and the impacts on rural economic development.**

Regulations

Proponents, especially first time proponents of intensive livestock businesses, have noted difficulty and delays in gaining approvals to develop projects in rural Saskatchewan. Further there appears to be inconsistencies in the approval process as companies move between areas within the province. Bylaws in one rural municipality, for example, are often different than the neighbouring municipality and this increases both the complexity and cost of project approval. The development of a scientifically and economically sound "roadmap" targeting appropriate locations with a minimum number of organizational contacts is necessary to expedite development. But this development must be sustainable, and that means our regulatory framework must satisfy environmental and community concerns.

Recommendation

- **That SAF work with government and industry stakeholders to develop a streamlined provincial approval process to facilitate the development of agri-business enterprises. This would effectively provide a high-level policy harmonization in Saskatchewan.**

- **That SAF undertake a proactive Intensive Livestock Operation (ILO) site development process. Working in partnership with local communities interested in economic development, SAF would attain all of the regulatory approvals needed to develop an ILO. Once complete, SAF would turn the approved site over to the community so they can market it to ILO proponents.**

Food Safety

The importance of food safety and the market access implications of Saskatchewan being seen as a source of safe food are significant issues. Increasingly consumers, retailers and agri-businesses are using food safety as a key criterion in their decision-making. The Governments of Canada and Saskatchewan along with industry play a critical role in protecting Saskatchewan's reputation as a safe supplier of food to the world. And there are many other stakeholder groups at the local, provincial, national and international levels that must contribute to a consistent supply of safe food.

In Saskatchewan there is no consolidated piece of 'food legislation'. Instead, the controlling regulations are scattered across several government departments. Many other jurisdictions in Canada have developed a comprehensive food safety regulatory environment. To remain competitive in an increasingly stringent food safety environment, Saskatchewan must be more strategic in food safety regulation.

Recommendation

- **The Governments of Saskatchewan and Canada along with industry develop a comprehensive food safety regulatory framework and training program for the provincial agri-food industry that would address the needs and concerns of all points along the food chain.**

Transportation

Saskatchewan's ability to remain competitive in an area largely removed from any population mass will be its ability to develop and maintain an efficient, modern, low cost transportation network connected to the major centres of commerce and population. Agri-business related service industries are concentrated around "hubs". Of particular significance to the Saskatchewan industry are Calgary, Minneapolis, and Chicago. It is essential that government focus on moving product and people on "trade routes" that flow both east/west and north/south.

A significant portion of agri-value product moves by truck to distribution centres serving regions of the continent. Reducing the cost of this expenditure is related to maximizing weight, reducing time on route, and effectively managing the use of back-haul opportunities. The continued development of transportation infrastructure that links Saskatchewan to major markets is essential.

The Saskatoon area has the largest density of food processors in this province. Calgary has emerged as the West's centre for warehousing and distribution in this sector, but our transportation route does not adequately link Calgary and Saskatoon. A strategic approach to infrastructure development is necessary to facilitate the food processing industry.

Business is highly dependent on the ability to bring people together. The movement of people in and out of our province in a highly globalized economy is important. Saskatchewan is increasingly struggling to move people in a timely, cost effective way.

The third element in building an efficient transportation network in the province is the availability of rail access and containers. In this environment, where rail line underutilization or abandonment exists coupled with often-significant issues related to access of containers, uncertainty regarding market access is created. Market access risk may be one of the factors limiting agri-business investment in rural Saskatchewan. No capital-intensive industry will locate in a region that cannot guarantee access to adequate transportation networks over the long term.

Recommendation

- **It is recommended that highway corridors based on access to centres of trade be established by the government of Saskatchewan as a fundamental element of building a strong processing industry.**
- **It is recommended that the Government of Saskatchewan actively pursue increased air access to Regina and Saskatoon to meet the needs of business travellers.**
- **It is recommended that the Government of Saskatchewan lobby the federal government to create open access on the rail infrastructure to enhance competition.**
- **The provincial government explore the economic feasibility of constructing a world scale container port.**

Communication

Throughout the consultation process, Saskatchewan's image was mentioned as an impediment. Saskatchewan has many natural and competitive advantages, but the problem is that no one knows about them. Some of the out-of-province agri-businesses stated that they simply do not have enough information on Saskatchewan to consider this province as a business location.

This “poor image” perception is also pervasive within government, among the province’s residents and among Canadians even if they have never visited or lived in the province.

In order to overcome this negative image, a focused communications strategy will be essential to portray Saskatchewan’s advantages. The implementation of this communication strategy must be a concerted effort that portrays the benefits of investing in the value-added sector in Saskatchewan. This partnership should include the media, government and business. The strategy must celebrate the successes the province has achieved to date in diversifying the agriculture and food industry and adding value to the products produced by this sector. The strategy must also promote the willingness of Saskatchewan companies to partner with people and companies outside the boundaries of the province to build a more vibrant value-added industry.

Changing Saskatchewan’s image is a dual process: internal and external. The first step will be to believe in “ourselves and our abilities” and to believe that change is possible and desirable. We are immobilized by our “poor self image”. Therefore, we are unable to believe we can compete in the global marketplace and we are suspicious of those that do. We need to find credible ways to effect change. Government needs to make a concerted long-term effort to partner with the media and industry leaders to raise the awareness of the opportunities we have to manufacture and market high quality value-added products. The media needs to understand the effect of their constant focus on the challenges facing agriculture and to understand the role they can play in contributing to a more positive self-image.

Outside of the provincial boundaries, Saskatchewan is still seen as “the wheat province”. This image needs to change without compromising the value the primary production sector can contribute to a healthy and profitable agriculture and food economy. Other jurisdictions have successfully implemented strong promotional campaigns to promote their products. The familiar “Alberta Beef” and “Taste of Nova Scotia” campaigns are two good examples. Saskatchewan needs to promote the quality and diversity of our products to shed our reputation as a “bread basket” only. We need to sell ourselves and our products to the world. Efforts of this nature have been attempted in the past (‘Buy Saskatchewan!’), but they may not have been extensive enough to create ‘brand’ awareness, which is important to the consumer.

Saskatchewan also needs to celebrate our leaders. In primary agriculture, there is an annual award ceremony to honour our Outstanding Young Farmer. The ceremony increases awareness of primary agriculture and sheds a positive light on the image of the agriculture industry. But this ceremony is limited to primary agriculture. Saskatchewan needs to honour and celebrate leaders in the agri-value industry as well. This will showcase our value-added industry and encourage internal and external leaders to have another look at the Saskatchewan advantages.

Recommendation

- **The Government of Saskatchewan implement a focused communications strategy with industry and community organizations to communicate that Saskatchewan is a place of opportunity. This proactive communication needs to occur both within the province and beyond and would cover areas such as business environment and our competitive advantages. It would demonstrate the diversity of agri-value opportunities in Saskatchewan.**

- **That the provincial government work with the large Saskatchewan newspapers to promote the positive side of the agri-food industry.**

- **That Saskatchewan Agriculture and Food initiate an ‘*Award of Merit for Leadership in Agriculture*’ to celebrate leadership and success in the value-added industry. This award should be presented by the Premier to create a very high profile.**

Appendix I Consultation Process

The agri-value committee performed extensive consultations in their process of generating these recommendations. The main objective of these consultations was to fully understand the breadth and depth of the issues facing the agri-value sector in Saskatchewan.

The consultations had five venues:

1. A questionnaire was mailed to 290 people, 60 of which were selected from the agri-value sector.
2. The Chair of the agri-value committee, Brad Wildeman and SAF/ECD resource people met with 7 out of province agri-businesses.
3. Another member of the agri-value committee, Joan Chase and Russ Paul of ECD met with four Saskatchewan based agri-businesses.
4. SAF retained a consultant to meet with 15 in-province agri-businesses.
5. The ACRE coordinator solicited written submissions from the general public, several of which spoke directly to value-added.

<u>Questionnaire</u>

32 agri-value sector surveys were returned from the following individuals/organizations:

1. Agricola Consulting Inc.	2. Arborfield Dehy Ltd.
3. Biorginal Food and Science	4. Crown Ag International Inc.
5. Drake Meat Processors	6. Durafibre
7. Eagle Creek Colony	8. Farm Woodlot of Saskatchewan
9. Great Western Brewery	10. Harvest Meats Co.
11. Heartland	12. Heartland Feeds
13. InfraReady Products Ltd.	14. Kitsaki Meats
15. Last Mountain Berry Farms Inc.	16. Maple Ridge Farms Inc.
17. Michel's Industries Ltd.	18. Newfield Seeds Co. Ltd.
19. Popowich Milling	20. POS Pilot Plant Corporation
21. Prairie Berries	22. Robin Hood Multifoods Inc.
23. Sask. Food Processors Assoc.	24. Saskatchewan Meat Processors
25. Saskatchewan Wheat Pool	26. Sask. Llama Assoc. Wool Pool
27. Star Egg Co.	28. T.W. Commodities
29. Urban Forest Recycling	30. Velvet Independent Processors
31. Anonymous	32. Anonymous

The questionnaire asked numerous questions dealing with the main categories of attitude, leadership, business climate, infrastructure, research and development, food safety, communication and image.

A short summary of the demographics from the questionnaire responses follows.

Business Location

Regina: 1 response
Saskatoon: 8 responses
Rural Sask.: 20 responses
Anonymous: 3 responses

Gender

Male: 26 responses
Female: 6 responses

Age

18 - 30: 1 response
31 - 45: 18 responses
46 - 60: 13 responses

Out-of-province meetings

Brad Wildeman was accompanied by Maryellen Carlson, Russ Paul and Gord Nystuen (Deputy Minister of Saskatchewan Agriculture and Food) in meetings with 7 agri-businesses located outside of Saskatchewan. All of these businesses have a presence in Saskatchewan, but their head office is located out of province.

Members listed above met with the following companies:

- Centennial Foods, Calgary
- Westons, Calgary
- X-L Foods, Calgary
- Premium Brands, Vancouver
- Omnitrax, Denver, Colorado
- Encore Gourmet Foods, Montreal
- Robin Hood Multi-Foods, Ontario

In-province meetings

Joan Chase and Russ Paul visited four small and emerging value-added companies in Saskatchewan:

- Wise Owl Herb Co. Ltd., Unity
- Saskatoon Organics, Saskatoon and Warman
- Prairie Berries, Keeler
- Maple Ridge Farms Inc., Prince Albert

The discussions with these companies focused around the themes of marketing, finance, strategic alliances, product development and future opportunities.

In-province meetings

SAF also hired the consulting firm Cyrojus Management Inc. to conduct meetings with 15 in province agri-businesses. Mr. Oswald Henry developed an interview guide that related closely to the ACRE questionnaire, but allowed individuals to elaborate on issues and impediments. Mr. Henry met with the following organization:

Biorginal Food and Science	Lilydale Foods, Wynyard
InfraReady Products Ltd.	Drake Meats
Urban Forest Recycling	Prairie Malt
Arborfield Dehy Ltd.	Meyers Norris Penny
Crown Ag International Inc.	McKercher & McKercher
Heartland Feeds	Arborfield Dehy
POS Pilot Plant Corporation	O&T Poultry
Velvet Independent Processors	Popowich Milling
Last Mountain Berry Farm	Growers International
Harvest Meats	

Written Submissions

Finally, there were 61 written submissions to ACRE, 13 of which had direct comments for the agri-value sector. All of these comments were from individuals instead of businesses and 11 of them were from rural Saskatchewan.