

Training for Value-Added Agriculture

Opportunity Report

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Northern Labour Market Information Clearinghouse

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Introduction

In December 1996, Alberta Agriculture, Food and Rural Development (AAFRD) announced a new initiative to help with the research, development and commercialization of new agricultural products and businesses. This new, non-profit corporation is part of a major provincial government effort to build value-added agriculture from its 1994 value of \$5.6 billion into a \$20 billion industry by the year 2005. This report examines the most likely developments in value-added agriculture in northern Alberta, and their training implications for the Clearinghouse partners. The information in this study comes largely from work being done by NADC personnel to promote value-added processing, along with other written sources, the AAFRD internet website, and interviews with experts in the area.

Only 17.7% of the money put into agri-food research in Alberta in 1995/96 went toward value-added products. The provincial government, along with agencies such as the Agriculture and Food Council, and Alberta Economic Development Authority are looking for ways to encourage the development of agricultural processing. In addition to the initiative mentioned above, their efforts include identifying markets and publicising investment opportunities.

The Northern Alberta Development Council (NADC) is involved in two projects aimed at developing of this industry in the north. In the northeast, a regional steering committee is overseeing an awareness campaign on value-added business opportunities and is studying the feasibility of a regional food processing facility. In the Peace region, focus groups have met to identify industry needs and opportunities and a regional advisory committee is in place to develop a long range regional value-added strategy.

Definition

The term “value-added agriculture” has been used to describe everything from raising alpacas to freezing zucchini. For the purposes of this study, value-added agriculture is the processing or packaging of a primary product so that it reaches a local customer or leaves the region with a higher value than it would as a bulk commodity. This can include: meat packing; seed cleaning; packaging honey for retail markets; certifying grain as organically grown; or any number of other processes. It does not include the growing of specialty crops or the raising of exotic livestock. Both of these fall under the heading of diversified agriculture which, while related, does not necessarily involve processing.

Growth Factors

A number of worldwide and North American and provincial trends are fostering the expansion of value-added agriculture.

- Global trade in agri-food products has almost doubled since 1980, with most of that growth occurring in consumer-oriented products rather than in bulk commodities. This trend is expected to continue for the foreseeable future.

- Asian population and income growth make the Pacific Rim a strong market area.
- International demand is growing for organically grown foods.
- Recent international trade agreements such as GATT and NAFTA have increased Alberta producers' access to those growing markets.
- Within North America, The market for convenient, partially prepared meals is growing as families try to have more meals together at home but have little time to cook.
- The increasing demand for ethnic foods is opening up possible niche markets across North America.
- Markets are growing for a number of non-food agricultural products including agri-pulp, and pharmaceuticals that use fractioned grain. AAFRD quotes one prediction that non-food products will account for as much as 50% of agricultural value-added production in Alberta by the year 2010.

Northern Alberta Factors and Barriers

With the end of the Crowsnest Pass Freight rate, the cost of transporting goods to market from northern Alberta has risen significantly and will continue to rise. In order to continue to make a profit on shipped goods, producers will have to ship higher value goods. This will be a strong incentive for northern producers to enter value-added production. At the moment, however; prices for many commodities are relatively high, which reduces the apparent need to add value through processing.

The food processing industry is well-established in and around Calgary. Regional AAFRD staff believe that northern processors would do better to find and create their own niches rather than to try to compete with established businesses elsewhere in the province.

As mentioned in the *Agriculture Sector Profile* (May '96), of the 621 firms listed in the *Directory of Alberta's Agricultural Processing Industry* only 40 are located in the NADC region. Some 79 current and potential agri-food processors participated in the NADC regional projects. This number, while relatively small, suggests that the industry is likely to grow. In order for this industry to grow however, producers in the north will have to overcome number of barriers.

The NADC's two regional projects have identified many of the primary concerns of current and potential agricultural processors. In the northeast the regional food processing facility concept is a response to the identified needs for:

1. training;
2. distribution and marketing assistance;
3. provision of unavailable food processing equipment;
4. "scaling up" advice and assistance to new businesses.

Participants in both NADC projects found the following to be the primary barriers to the growth of the processing industry:

- *Marketing*
This includes awareness of what marketing is and how to do it; packaging; difficulties in market penetration; the distance to major buyers; and the time that it takes to bring a product to market.
- *Capital*
Those entering the processing business in the north often have little capital and little access to capital. There is not a strong history of outside investors putting money into this industry. Many also complain that there is little connection between producers and potential investors.
- *Information*
Many participants in the projects are unaware of the resources that are available to them and/or how to access those resources.
- *Regulations*
While processors see the need for some regulation of their industry, many find existing rules confusing or even contradictory.
- *Leadership*
There are few examples of successful value-added businesses in the north for others to follow.

Even with these barriers northern Albertans do produce a wide array of value-added agricultural goods. The products already coming from northern Alberta include (among others): meat products; perogies; baked goods; jams and jellies; honey; cosmetic creams; frozen berries; canola oil, dehydrated alfalfa and other forage products; grass seeds (cleaned and screened); and elk velvet.

Likely Developments in Northern Alberta

The expressed interests of producers and the collected wisdom of several experts in the field tend to agree on several points regarding likely value-added developments for northern Alberta:

- Build on what we already have in the region.
- Look to fill new and growing niche markets rather than trying to take markets away from established businesses.
- Developments in this industry will likely be small for the next few years, though there is room for larger operations in the long-term.

Producers and observers consider the following to be the most likely value-added business ventures.

- Many producers are planning to go into small-scale food processing operations making items such as: jams and jellies; diabetic desserts; pickles; sour cabbage; and juices.

- Meat processing, particularly bison, is an often-suggested possibility.
- The explosion in the popularity of bread-making machines has created a market for a variety of bread mixes.
- The region's strongest areas, and those most likely to expand, are in forages and seeds. These are also the businesses most prepared to take advantage of growing international markets.
- Other non-food products offer opportunities as well. Plans are in place for the construction of an agri-pulp plant in Wanham this summer, but further developments in this industry will likely come slowly.
- The fractioning of grain for pharmaceuticals is not a well-established industry elsewhere and represents an opportunity for entrepreneurs if they can obtain the necessary capital and trained workforce.
- Another side of the pharmaceutical industry is the herbal medications (and cosmetics) that can be made from herbs and other plants grown in the region. While large scale manufacturing of these products is not likely to take place in the north, small-scale gathering, assessing and essential oil extraction are feasible if markets can be developed.

Training Needs

Most of the existing and potential value-added agriculture businesses in northern Alberta are small operations. Operations surveyed in the northeast have an average of three employees. Many only operate on a part-time or seasonal basis, often as additions to the farm business. As a result, the number of people needing training in the short term will not greatly exceed the number of owner/operators in the industry. Within that population though, there is a need for training. Fifty-two per cent of those surveyed in the Northeast have no training in their business. Those interested in training were generally willing to pay about \$100.00 for a 2-day course.

Types of value-added processing vary widely. As a result, the markets for any form of technical training will probably be quite small.

The greatest training need in this industry is for business training. Those consulted in the NADC projects listed marketing, finance, and product development as their chief training needs. Just like other new entrepreneurs, agricultural processors would benefit greatly from ongoing support and assistance in marketing, product testing, marketing, packaging and so on. In the case of the agri-food industry much of this help must be technical and specific due to stringent regulations regarding food preparation and storage.

Available Training

Training aimed at agricultural producers is available from Alberta Agriculture, Food and Rural Development and from Fairview and Lakeland Colleges.

AAFRD has offered a number of training programs and seminars and references to Alberta producers. They include:

- Merchandise your Products Through Effective Displays (one day, \$50.00)
- Product To Profit; Micro-Food Processors Conference
- Practical Marketing of Your New Venture (one day, \$46.73)
- Herb Marketing Workshop (one-half day)
- Ag Venture Opportunities Plus
- Business and Entrepreneurial for the 1990s
- Incorporating Your Expanding and Diversifying Farm Business
- Sourcebook for Agrifood Business
- Successful Marketing at Farmers Markets

Perhaps the most ambitious course offered by AAFRD is Global Market Focus For Farm Profits. This 10-day course, taking place over four weeks (7 days in a classroom, 3 by teleconference) and costing \$200.00, proved to be a tough sell in the Fairview area. As of early February, five people had expressed interest and two had signed up for the session scheduled to run through March.

Fairview College offers Agribusiness as a possible specialty in their Agriculture Diploma program. In addition, they also offer Farm Business Management certificate programs.

Lakeland College offers management courses as part of diploma programs. Lakeland also offers Agricultural Marketing, and Using Futures and Options on Your Farm via the Alberta North CAP sites.

Both colleges, along with all others in the region, offer an assortment of business courses geared toward a general student population, many of which would be useful for agricultural entrepreneurs.

Implications for Training

The demand for training in any one form of processing is not likely to be large enough to support the development of pre-employment courses, though there may be some demand for contract training once new businesses have been established. Grain fractioning for pharmaceuticals would require a trained workforce. Herbology and Traditional knowledge would both be useful training areas for developments in the herbal medicine and cosmetics fields.

Many of the existing courses in this area are aimed at agricultural producers trying to diversify their operations. There is a need for training geared toward other types of entrepreneurs who wish to establish processing businesses.

Many new processors would benefit from courses covering the general regulations in place in the agri-food industry. This may be a market for food handling courses similar to those provided to the restaurant and grocery industries.

The strongest markets are for general entrepreneurial training, much like that discussed in the report, *Training For New Entrepreneurs* (November, 1996). One of the conclusions of that report was that training should be based on the entrepreneurs' own businesses as much as possible and should be combined with some form of ongoing support for the new ventures. In this case, there is ongoing support being developed in the form of a regional food processing facility in the eastern part of the region. An opportunity may exist for a college to cooperate with the developers of such a facility to provide the training that the businesspeople involved require.

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