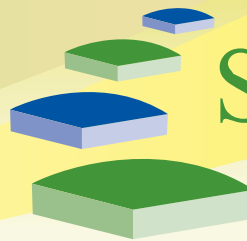




READY MEALS AND MEAL COMPONENT OPPORTUNITY PROFILE



SouthGrow

Regional Initiative

Creating Opportunities...

We Are...

- City of Lethbridge
- Town of Cardston
- Town of Claresholm
- Town of Coaldale
- Town of Coalhurst
- Town of Magrath
- Town of Milk River
- Town of Picture Butte
- Town of Raymond
- Town of Taber
- Town of Vauxhall
- Town of Vulcan
- Village of Barons
- Village of Carmangay
- Village of Coutts
- Village of Champion
- Village of Milo
- Village of Nobleford
- Village of Stirling
- Village of Warner
- Cardston County
- County of Lethbridge
- MD of Taber
- Vulcan County
- County of Warner
- Blood Tribe

Today's busier lifestyles have shifted how consumers value food today. They tend to be health-conscious and desire convenience in terms of packaging, portability or ease in meal preparation. Demand for convenience and ready-to-serve foods provide opportunities for ready meals and meal components in fresh, chilled, frozen and shelf stable formats. The opportunities in ready meals and meal components also extend beyond consumer markets to the institutional markets.

An Overview

Ready meals and meal components is the fastest growing segment of the retail and institutional food (services) industry. At the retail level, the demand for ready made meals and meal components is influenced by factors such as lifestyle, busy young families, and an emphasis on healthy and nutritious foods. At the institutional level, factors include cost control, quality control and nutritional value and composition.

Current trends and business circumstances influencing this opportunity include:

- Increased outsourcing by institutions in many areas, including food services.
- A critical mass of potential institutional customers in the SouthGrow region sufficient to support a business start up.
- The ready availability of ingredients and food product inputs in the region.
- The existence of a number of entrepreneurial food producers/processors with the necessary expertise and background in the region.
- Proximity to well established agricultural and food research and applied research facilities and technology.
- Opportunity for local business to expand or diversify into a new type of enterprise.

The Ready meals and meal component opportunity requires a physical facility, improvements and equipment. A complete commercial kitchen would be required, including a cold chain, freezers/refrigeration, belt ovens, large commercial microwaves, racking conveyor assembly line(s), etc. A real time computer system which includes scanning and bar coding for food inventory and control, to keep track of trays and content for quality control and other purposes is essential, particularly when dealing with health systems. These capital costs are estimated to be in the range of \$2.5 to \$3.0 million.

The opportunity would provide jobs for 15 to 20 people. Primary jobs would include management, nutritionist/dietician, cooks, and food assembly line workers. Training requirements would include food handling and food safety, and dietary and nutritional knowledge and issues. It is anticipated that most of the food raw material inputs would be sourced within the SouthGrow region. With estimated food input costs approximating 30% to 40% of total revenues.

The Potential

The SouthGrow institutional market includes:

- Healthcare facilities including acute care, continuing care, designated assisted living and enhanced lodge facilities.
- Various seniors' lodges and facilities
- Lethbridge Provincial Correctional facility.



The Opportunity

There is an opportunity to establish a locally owned and operated 'ready meals and meal components' business in SouthGrow. The business could initially supply the regional institutional market which is significant and growing in the SouthGrow region from a regional production facility.

This opportunity can be seized by:

- Existing food processors or food supply businesses already operating in the SouthGrow region.
- An institution (e.g. in the health region) itself might consider a level of involvement in the venture, building on existing infrastructure and institutional knowledge and expertise.



Fast Facts:

Demand for convenience and ready-to-serve foods provide opportunities for ready meals and meal components in fresh, chilled, frozen and shelf stable formats.

Ready meals and meal components is the fastest growing segment of the retail and institutional food (services) industry.

The SouthGrow region has a ready availability of ingredients and food product inputs.

There are a number of entrepreneurial food producers/processors with the necessary expertise and background in the region.

There is a critical mass potential Institutional customers in the SouthGrow Region, sufficient to support business startup.

The SouthGrowN Advantage

- Logistics** SouthGrow is located on the major Canadian transportation routes for both east/west and north/south highway routes. It is located on the Cananex corridor with close proximity to the United States border, allowing for easy connection to the interstate system to all major US cities.
- Strength in Agriculture** A strong agricultural economy and farming base that has led to a substantive export-oriented food processing industry. In addition, there are over one million acres under irrigation and the region has the longest growing season and the most hours of sunshine in Canada.
- Greenhouse Production** The region’s greenhouse production totals 300,000 square feet.
- Abundance of Inputs** The region has a large and diverse local supply of ingredients/food product inputs as well as a number of local food producer entrepreneurs.
- Supports** Alberta food research facilities are available and accessible for product development. In addition, there is a strong research cluster including the University of Lethbridge, Agriculture and Agri-food Canada (AAFC) Research Centre, the AAFRD, and Lethbridge College.
- Synergy** Synergy with other SouthGrow businesses, e.g. plastic extruders, primary food producers, etc.
- Established Market** The region has an established institutional market.
- Low Cost** Real estate costs in the region are less than those in other major centres in Western Canada, and the province has a competitive corporate tax rate for manufacturers and processors. There are no capital or payroll taxes, and no provincial sales tax. Albertans also benefit from the lowest overall taxes in Canada.
- Experience** SouthGrow has a mature food processing sector located within its borders, with successful operating models and strong industry associations.
- Population** There is an increasing population growth with a young and ready supply of trained labour (over 50% have some level of post-secondary education). In addition, growth due to in migration from both domestic and international sources is expected to continue.

Sector Supports:

The following are organizations and agencies that can provide support for those wishing to seize the opportunity:

Alberta Agriculture, Food and Rural Development
www.agric.gov.ab.ca

Alberta Food Processors Association
www.afpa.com

Agriculture and Agri-Food Canada
www.agr.gc.ca

AVAC Ltd.
www.avacld.com

An Opportunity Assessment

The SouthGrow institutional market includes:

- Healthcare facilities including acute care, continuing care, designated assisted living and enhanced lodge facilities.
- Various seniors’ lodges and facilities
- Lethbridge Provincial Correctional facility.

Demand determinants are the number of beds/residents and occupancy rates. The following chart provides an estimate of potential persons that need daily meals at the respective institutions:

Institutional Organization	Estimated Number of Patients/Residents	At 90% Occupancy
Acute and continuing care beds	700	630
Supported living (TCC, DA, EL)	1176	1058
Seniors lodges/facilities	813	732
Lethbridge Correctional Facility	181	163
ESTIMATED TOTAL	2870	2583

These numbers exclude staff, visitors, and day patients who may also need meals on site. Using the ‘bed’ count only, over 940,000 meals are required annually.

According to The Chinook Health Region 2005 Annual Report, food costs amounted to approximately \$7.2 million, or \$10.95 per bed per day. Using the roughly 2,500 beds identified above, meal costs reach nearly \$10M annually. To secure a contract, a supplier would reduce institutional food costs by a significant enough factor and provide assurances of quality control.

Pending a successful start-up, expansion opportunities could include institutional and other organizations elsewhere in SouthGrow and Alberta, possible private branding or subcontracting for retail; or exports to Montana institutional organizations (which would require US FDA plant inspection and plant approval).



105 Provincial Building
200 5th Avenue South
Lethbridge, Alberta
Canada T1J 4L1
Ph: (403) 381-5414
Fax: (403) 381-5741
info@southgrow.com
www.southgrow.com