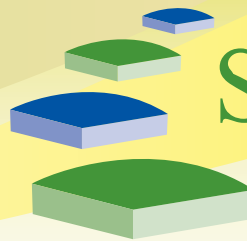




ORGANIC PRODUCE OPPORTUNITY PROFILE



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 Lomond
- 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

Organic foods and products are produced without the use of synthetic fertilizers, pesticides, growth regulators and livestock feed additives such as antibiotics.

The Opportunity

There is an opportunity to either start an organic farming operation or to convert an existing mainstream farming operation into an organic farming operation. Alberta imports \$2 of organic products for every \$1 that is grown locally. The Province's demand for organic products (\$48 million in 2005/2006) is greater than supply (\$15 million) with fruits and vegetables constituting the largest portion of sales at the grocery retail market level. Further opportunities in the organic market include meeting the demand for value added organic products. In fact, organic food is mainstreaming, and no longer just a niche market. The organic market provides a viable diversification opportunity for Alberta producers and/or processors.

An Overview

Research indicates that the top three triggers for consumers entering the organic market place are health conditions, presence of children and social influences (word of mouth from friends, family, etc.) Typically, consumers of organic products want to avoid pesticides and chemicals, avoid hormones and antibiotics, support the environment and cite health reasons.

In adopting a more organic lifestyle, consumers begin to repeatedly and habitually buy "entry level" products such as produce, dairy, meat/poultry and baby food. These less processed food items are ones that consumer can easily link to organic, specifically the avoidance of pesticides and hormones.

Opportunity Assessment

The investment required for an existing farming operation to convert to an organic producer is minimal. The farming operation, however, must be certified and the process may take between two to three years. Organic certification is a guarantee of the system based on organic standards whereby annually, a third-party inspection confirms that the product conforms to organic standards.

While the production and processing of organic agricultural products in Alberta is not regulated by federal or provincial legislation, as of December 2008, anyone selling their product as organic, for interprovincial trade and export, must be growing and processing in accordance with the Canadian Organic Production Standards. Moreover, products cannot be labeled or marketed as organic until standards have been fully applied for at least 24 months before sowing or in the case of perennial crops, at least three years before the first harvest of products. During this time, the acres will be said to be in "transition" or in the process of being certified.

A critical aspect of the organic operation is the development and implementation of a record keeping system (audit trail) in conjunction with the certifying body, including farm map, field history records, input records, harvest records, storage records/bin inventory and sales records, including sale date, commodity sold, lot number and amount as well as transaction certificates used for all sales.



Fast Facts:

Key drivers for organic farming are:

- lower input costs
- niche versus lower commodity prices
- increased consumer
- emphasis on health and nutrition
- an aging population
- consumer concerns about food safety, and
- desire for environmental protection

Sector Supports:

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

Alberta Agriculture and Food
www.agric.gov.ab.ca

Canadian Food Inspection Agency
www.inspection.gc.ca

Canadian Organic Growers
www.cog.ca

Going Organic Network of Alberta
www.goingorganic.ca

Organic Agriculture Centre of Canada
www.organicagcentre.ca

Organic Trade Association
www.ota.com

Alberta Food Processors Association
www.afpa.com

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

AVAC Ltd. www.avactld.com

The Potential

In 2005, 23 percent of Canadian consumers purchased organic foods regularly heavy buyer, up from 18 percent in 2001 and 27 percent purchased organic foods several times (light buyers), up from 22 percent in 2001. "Dabblers" in organic food who only bought once or twice accounted for 27 percent of consumers. Only 22% say they never buy organic.

The value of organic food going through grocery alone in Canada for 2006 was about \$412 million, which represents a 28 percent growth rate over 2005. In fact, there is significant interest from Canadian consumers for organic products as 51.5 percent of Canadian households purchased an organic product in 2006, accounting for a 5.3 percent growth the previous year. The top selling organic food categories include: fresh vegetables (25%), beverages, excluding milk (18%), fresh fruits (13%) and dairy (11%).

Organic represents less than 1 percent of total food at grocery but has very impressive growth rates. Rate of growth for total grocery is typically between 2-4 percent, however the growth rate for all organics in Canada was 28 percent. Fresh organics products, which present about one quarter of those products had a growth rate of 22 percent.

Alberta alone accounted for \$48 million in organic product going through the grocery retail channel (not including farm direct and other channels) in 2005 and had the highest growth rate in the country at 44 percent. In fact, the Province posted a higher growth rate compared to national growth rates in every organic sales category with the exception of beverages. Factors fuelling growth include increased distribution into mass market and natural food supermarket chains, more competitive prices, entry of large food marketers into the organic market, sophisticated advertising campaigns and increased availability of organic ingredient supplies.

The SouthGrowN Advantage

- **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.
- **Logistics** – SouthGrow is located on the major Canadian transportation routes for both east/west and north/south highway routes. It is located on the Canamex corridor with close proximity to the United States border, allowing for easy connection to the interstate system to all major US cities.
- **Synergy** – 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 and development base at Agriculture and Agri-food Canada. The province also has technical and infrastructure capacity in training and research supporting new product development and improved crop production.
- **Experience** – Agriculture is the main industry in the SouthGrow region, accounting for 61% of Alberta's vegetable crop. SouthGrow has a mature food processing sector located within its borders, with successful operating models and strong industry associations.
- **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.
- **Population** – Growth due to in migration from both domestic and international sources is expected to continue.
- **Demographics** – The average couple income (2005) in the SouthGrow region is \$73,550. Over 50 percent of the population.
- **Climate** – The region has mild winters and warm summers, with close to 2,400 hours of sunshine per year and 140 crop days annually.



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This opportunity profile is based on preliminary opportunity identification and should not be used in place of a feasibility study.