developed in partnership

Saskatchewan Food Industry Development Centre Inc.

Saskatchewan Ministry of Agriculture

FOOD processors guide

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Saskatchewan Ministry of Agriculture

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Food Processors Guide

Welcome to the Food Processors Guide – a Step-By-Step Guide to getting started in the Saskatchewan Food Processing Industry

The objective of this guide is to provide a brief and concise overview of the food processing industry for those interested in learning more about the industry or starting up a food processing company of their own. Within this guide, you will find links to outside web pages as well as contacts so you can get more information on a particular topic.

The Food Centre has a team of knowledgeable and experienced staff that can assist you with any additional informational needs regarding the food industry. Our Commercial Kitchen and Regulated Interim Processing Facility are available for your development and processing requirements. For more information on Food Centre's services:

Saskatchewan Food Industry Development Centre Inc. (Food Centre)
117-105 North Road
Saskatoon, Saskatchewan
S7N 4L5
CANADA

Tel: (306) 933-7555
Fax: (306) 933-7208
Email: info@foodcentre.sk.ca
corporate site: www.foodcentre.sk.ca
training site: www.foodindustrytraining.ca

While every effort has been made to ensure that the information and links contained in this guide are correct and up to date, the Saskatchewan Food Industry Development Centre Inc. and Ministry of Agriculture accept no responsibility or liability for errors, omissions, or representations expressed or implied, contained herein or in any written or oral communication associated with this guide.

ACKNOWLEDGMENTS
Thank you to the Ministry of Agriculture for their assistance in the development of the Food Processors Guide.

Your Product Idea

All food processing companies start with an idea. This section provides information on ways you can do research on the potential market for your product to determine if the idea is viable. Once this is completed, product development will help you to develop the best product for your target market. At this point it is also a good idea to contact any industry associations that may be able to assist with the development of your idea.

Market Research

Assessing the market and its dynamics is essential prior to developing your product.

Is your product viable? You must first analyze the industry, the competition, your customers' needs and your product's revenue potential to provide insight into how your idea can be adapted to best suit the market.

Thorough market research will help you determine:

- if there is a market for your product
- your target market and the most effective manner to reach pertinent consumers
- your competition and how best to differentiate your product

Market research provides the knowledge to make informed business decisions and develop a plan of action based on fact. Too often, decisions are based on gut feelings, and the chances of both short and long-term success are significantly reduced. (Source: Women Entrepreneur's of Saskatchewan Inc., Women and Business, Spring '97, Volume 2.1).

◆ *Information Services*

You can collect market research through two methods:

- secondary research (published data)
- primary research (interviews, surveys and focus groups)

Secondary Research is the analysis of information that has already been gathered. Information is available from various sources including industry associations, magazine articles and existing industry reports. When appropriately used, secondary research provides an excellent overview of the industry and assists in the identification of information gaps which can later be filled by primary research.

Sources

- Business and public libraries
- Chambers of Commerce
- Regional Economic Development Authorities
    - Statistics Canada
    - Canada/Saskatchewan Business Service Centre
    - Industry and supplier directories
    - Trade associations
    - Newspapers/trade publications
    - Phonebooks (To source competitors and government organizations)
    - Annual reports
    - Trade shows
    - Internet

Primary Research is customized to provide information specific to your product or business. Primary research may include observational research, surveys, interviews and focus groups.

Collecting primary data can be more timely and targeted than secondary research, but also more time consuming and costly.

Sources

- Personal Interviews
- Surveys
- Focus groups
- Observation (i.e., monitoring customer behaviour in a grocery store)

LIBRARIES

The Government publication section of libraries is a good place to start. Take a look for specific market information such as food consumption habits, consumer price indexes or income groups. This type of information will help you determine potential target markets, market trends, or product demand.

University of Saskatchewan
Main Library - Government Publications
Saskatoon, SK S7N 0W0
Phone: (306) 966-5986 Fax: (306) 966-6040
http://library.usask.ca/

University of Regina
Main Library - Government Publications
Regina, SK S4S 0A4
Phone: (306) 585-4456 Fax: (306) 585-4878
www.uregina.ca/library

The general public can use both the University of Regina and the University of Saskatchewan libraries without paying a fee. Publication pages can be photocopied on the premises and librarians are available to assist in searching for information.

Statistics Canada
Advisory Services
440-2365 Albert Street
Regina, SK S4P 4K1
Phone: 1-800-263-1136 Local: (306) 780-5405 Fax: (306) 780-5403
www.statcan.gc.ca

Statistics Canada *sells government publications and will provide research services for a minimum fee.*

Agriculture and Agri-Food Canada
1341 Baseline Road.
Ottawa, ON K1A 0C5
Phone: (613) 773-1000 Fax: (613) 733-2772
Email: info@agr.gc.ca
www.agr.ca

Agriculture and Agri-Food Canada *offers a business-oriented service where callers can obtain marketing, trade and regulatory information over the phone. The library does not lend out materials to the general public.*

Saskatchewan Research Council
125-15 Innovation Blvd.
Saskatoon, SK S7N 2X8
Phone: (306) 933-5400 Fax: (306) 933-7446

220-6 Research Dr.
Regina, SK S4S 7J7
Phone: (306) 787-9400 Fax: (306) 787-8811

101-1061 Central Ave
Prince Albert, SK S6V 4v4
Phone: (306)-765-2840 Fax: (306) 765-2844

www.src.sk.ca
email: info@src.sk.ca

The ***Saskatchewan Research Council*** *library contains trade journals, business directories, industry profiles, customer databases, regulatory guidelines and market studies.*

Canada-Saskatchewan Business Service Centre
2-345 3rd Avenue South
Saskatoon, SK S7K 1M6
Phone: 1-800-667-4374 Local: (306) 956-2323 Fax: (306) 956-2328
www.canadabusiness.ca

*The **Canada-Saskatchewan Business Service Centre** has information in trade journals, business directories, industry profiles, customer databases, regulatory guidelines and market studies.*

POS Information Services
118 Veterinary Rd.
Saskatoon, SK S7N 2R4
Phone: (306) 978-2800 Fax: (306) 975-3766
Toll Free: 1-800-230-2751
www.pos.ca

*The **POS** library holds many trade journals, including Western Grocer, Food Trends and Food Processor Journal. Library research, including provincial, national, and international inquiries, is provided for a fee.*

INTERNET SITES

Internet sites offer a wealth of information. Here are a few sites that may be a good starting point for your research.

The Food Bureau
A partnership with industry and government, the Food Bureau is the primary center of knowledge on the food industry within Agriculture and Agri-Food Canada. The website includes sector profiles as well as valuable links to other sites containing statistical and market information.
www.agr.gc.ca /food

Food Institute On-line
The Food Institute is a non-profit information and reporting association. Members include growers, food processors, importers, exporters, brokers, wholesalers, supermarket chains, independent retailers, food industry suppliers and food service distributors.
www.foodinstitute.com

United States Department of Agriculture (USDA)
The site contains a number of reports and statistical information on the agriculture and food market in the United States.
www.usda.gov

◆ *Assessment Process*

Market research, commonly referred to as competitive intelligence, is the practice of gathering, analyzing, disseminating information on what the marketplace requires (demand) and how you and your competitors meet these requirements (supply) and how each strives to meet market needs better than the other (competition).
Your assessment process will consist of the following steps:

1. Market Analysis
2. Competitive Analysis
3. Customer Profile

1. Market Analysis – Know Your Market

Your research will highlight trends, important players, competitors and customers. Accurate information will help you determine output requirements, distribution channels, pricing, promotion and other marketing decisions.

Issues to investigate include:

- Market size, potential customers and physical boundaries.
- Future market growth, ease of entry, competition, profit potential and overall risk.
- What is the current dollar value or quantity of product being sold in the market?
- What social, technical, and environmental changes are taking place within the market and how will they impact sales?
- What regulations apply to your product or service?
- What packaging is required?

Upon completing the market analysis, you will be able to:

- determine if there is a market for your new product or service;
- establish the need for developing a market plan; and
- access marketing information that will assist in the sale of your product or service.

2. Competitive Analysis – Know your Competition

Almost everyone in business understands the principle of trying to offer something better than the competition. Gaining an advantage is the key to success and survival. However, some advantages that businesses rely on are not sustainable as they can be easily copied, stolen or negated. Real competitive advantages cannot easily be copied – brand name recognition, a patentable manufacturing process or exclusive shelf rights.

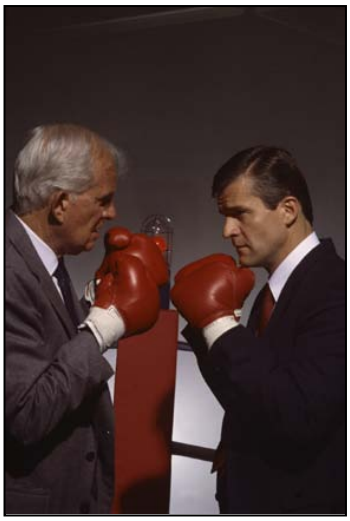
Every company has a unique set of strengths, and it is critical that you determine your strengths, as well as your competitors. A formal SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis will detail your strengths and relative to your competitors' weaknesses, revealing market opportunities.

After you have completed the analysis, there are four basic strategies of competition to consider:

- Become the low-cost supplier by keeping your costs down and maintaining a healthy profit.
- Achieve product quality or service differentiation.
- Achieve supply or distribution leverage (premium shelf space, exclusive contracts).
- Pursue a market niche, especially those that have been neglected by your main competition.

You should compile the following data about each competitor:

- What are the strengths and weaknesses (quality, price, service, payment terms, location, and reputation)?
- What share of the market do they possess?
- What is the quality of their goods or services?
- How many product lines do they carry?
- Who is their customer base?
- What is their revenue?
- Are their profit margins growing?
- What are their promotional and marketing strategies?
- What factors exist that may increase or reduce the level of competition?



Review your competitor's literature, annual reports, news stories and stock analysis. Customers and suppliers, trade shows and tours of competitive plants may provide you with excellent information. Soft information like rumors, opinions and customer feedback is also important.
Next, categorize your competition and identify those competitors that pose the biggest threat.

- **Head-to-head competitors** compete directly with you. Their product is very similar to your product. Customers evaluate your products based on price, quality, and service.
- **First-tier competitors** compete with you, but not for everything. They may be similar to you in only a certain area or product.
- **Indirect competitors** offer products that serve as an alternative to yours.

CONDUCTING A SWOT ANALYSIS
(Strengths, Weaknesses, Opportunities, and Threats)

Strengths - *Consider your company's strong points.*
What distinct advantage does your company offer?
Why do customers say they enjoy doing business with you?
Is there anything you currently offer to the market that cannot be copied by a competitor, now or in the future?

Weaknesses - *Consider your company's weaknesses from your (and your competitors') point of view.*
What does your company do poorly?
What should be avoided?
What do your competitors do better than you?
Do competitors control a particular market or segment?

Opportunities - *Opportunities may arise from changes in technology and markets; changes in government policy and social patterns; population profiles; lifestyle changes; and local events such as the closing of a local store.*
Identify the interesting and unique opportunities that exist in your market.
What trends are occurring locally and throughout the world?

What do you anticipate happening in the future that may represent an opportunity to your company?

Threats - *Although we don't like to think about them, we all encounter threats in business.*
What are some of the obstacles your company faces? (capital, skilled labour, etc.)
Are the required specifications for your products or services changing?
Are technology advancements threatening your position in the market?
Do you have cash-flow problems that could prevent you from acquiring new technology, staff or equipment?

Keep in mind that opportunities and threats are constantly changing and should be monitored. New ones will arise and some that seem imminent will fade away. Therefore, a SWOT analysis should be completed annually.

3. Customer Profile

Once you have a handle on your competitors, the next important step is to clearly determine who your customer base is.

Do you know precisely who your customers are?

If you sell to consumers, do you have demographic information that identifies your target buyer?

- average income range
- education level
- occupations
- geographic location
- family makeup

What about lifestyle information on your target buyer?

- hobbies
- interests
- recreational/entertainment activities
- political beliefs
- cultural practices

Creating a customer profile can help you identify changes to your product or service that would better serve the needs of your target market. The profile can also tell you how to reach your customers through advertising and promotions.

To clearly identify your customer base, ask yourself the following questions:

- Where do my customers live?
- Approximately how old are my customers?
- Are my customers primarily male or female?
- What is the income level of my average customer?
- What are my customer needs?
- What motivates my customer to buy? i.e. price, quality, credibility, customer service, locations, etc.
- When do my customers do their buying? Daily? Weekly? Monthly? Annually? Seasonally?
- How much research do my customers do on a product or service before spending money?
- What services or products are my customers willing to spend more on?
- What services or products are my customers spending less on?
- What are my customers' buying trends?

Having this information helps you decide which segment of the market to target, communicate with, sell to, and from whom to obtain feedback.

Picking the right segment of the market is important to achieving sufficiently large sales volume and the profitability to survive and prosper as a company. Your market segment should be:

- measurable in quantitative terms
- substantial enough to generate planned sales volume
- accessible to your company's distribution methods
- sensitive to planned/affordable marketing spending events

It is also important to examine other factors that could affect your company's success:

- strength of competitors to attract your niche buyers away from your products
- similarity of competitive products in the buyers' minds
- rate of new product introductions by competitors
- ease of entry/protection of your market

The driving force behind segmenting your market is the need to satisfy and keep those consumers who really love your products or services. Consumers are becoming increasingly more sophisticated and demanding and product choices continue to expand with prosperity and world market competition.

It is also important to be able to identify and estimate the size of your target market, particularly if you're thinking about a new venture, so that you can anticipate whether the proposed customer base is large enough to support your business or new product idea.

Remember, it's not enough that people like your business concept; there must also be sufficient target buyers on a frequent basis to sustain company sales, spending and profits from year to year.

Good consumer research uses a combination of ways to collect information. One must keep in mind that when one states a desire for a product or service, this does not automatically translate into future

purchases. Market research will not answer all your questions. You must identify what information is on a need-to-know and want-to-know basis. You research should be designed to answer the need-to-know questions first. This is a time-consuming process and professional advice or assistance is recommended.

◆ *Product Differentiation*

In today's market place, consumers have a lot of choices. To gain a competitive edge, it is imperative that you give customers a reason to choose your product over the competition. Increase the chances that customers will choose your product over the competition by offering them something new or different. While lowering prices is a viable way to attract customers, there are other things you can do to make your product unique simply by using a little imagination and creativity.

The following are ways to differentiate your product from your competitors:

- Look at your competitors' product. Can you put a new spin on it?
- Assess your product. Can you add any new features that might make it more desirable or useful than your competitors?
- Think of new uses for old products or new ways to package or bundle your offerings.
- Ensure your products are user-friendly and easy to order. Make it easy for your customers to do business with you.

Product Development

The idea for a new food product is only the very first step in the development of the product (and often the easiest step). Researching the marketplace to determine the challenges, opportunities, strengths and weaknesses of your idea should be conducted prior to beginning the product development phase. In this section, the science behind developing a new food product that is safe, wholesome and meets food regulations will be discussed.

◆ *Prototype*

Preparing a sample or prototype of your "idea" is the first step in product development. Most start-up companies can make a reasonable prototype of their idea with ingredients from the grocery store and the equipment found in their home kitchen.

Prototype development allows the entrepreneur to:

- have a clearer picture of their product
- determine some of the problems that may have been solved during future product development phases
- have a prototype to show when discussing the idea with food processing professionals

◆ *Product Specifications*

A food product will be either standardized or non standardized.

Standardized food products are listed in Health Canada's Food and Drugs Act and Regulations. Health Canada requires that anyone making these products adhere to the guidelines so that their product is in compliance with the regulations. Usually standardized food products require certain ingredients to be included in the product and may require that the ingredients be added to a certain level or not exceed a certain level. Ice cream, jam, butter and flour are a few examples of standardized products.

Non standardized food products do not have guidelines as to ingredients and quantity ingredients that must be included in the food product. Pizza pops, fruit spreads, macaroni and cheese dinners and frozen egg rolls are all examples of non standardized products.

◆ *Ingredients*

Some foods require additives that may be restricted or regulated when added to foods. Start-up companies should ensure that any ingredients they are using are allowable in the quantities at which they being added to a product.

Additive regulations can be found in Health Canada's Food and Drug Act and Regulations.

When the prototype is prepared, the ingredient and the quantity by weight should be recorded. Standards for units of measurement used in production are controlled by the Weights and Measures Act, which is administered and enforced by Industry Canada.

All food labels require that ingredients in food products are listed in descending order by weight, not volume. A reasonably accurate weight of ingredients in a product can be attained using a kitchen scale.

◆ *Ingredient Sourcing*

When sourcing raw materials, there are several items to consider before calling suppliers:

- Know all of your ingredient specifications to ensure you are asking for the correct thing.
- Establish your usage levels. A supplier will want to know what kind of volumes to expect when quoting a price or deciding if he will sell to you.
- Decide on what package/container size will work best for your process.

When you contact a seller, there are certain considerations, such as:

- packaging sizes – What packaging sizes are available for the product you want?
- pricing - Ask for price per unit of measure (i.e. $/kg or $/L).

- minimum orders – Do they have a minimum purchase?
- shelf life and storage – Do their products require special storage conditions? Can you use up the product before the shelf life expires?
- product availability – Are their products seasonal or available only certain times of the year?
- shipping – Does their cost include shipping or F.O.B. (Free On Board – free delivery to and placing on board a carrier at a specified point)?

Who you call may depend on the volume of ingredients that you use. If you are going to have high volumes, it is likely you will buy directly from a manufacturer. If your volumes are smaller, it is more likely you will be buying from a broker, wholesaler or retailer.

◆ *Process*

The process of preparing the food product should be thoroughly documented to aid food product developers when advising on your product.

It is very important to know:

- how the ingredients were prepared for addition into the product
- what type of treatments the food product received (i.e. cooked, dehydrated, frozen, etc.)
- the method of the treatment (i.e. baking, deep frying, steaming, blast freezing, etc.)

Each of these factors will affect the final product. To reproduce your prototype successfully, accurately record the process required to make the food product.

◆ *Food Preservation*

Foods are expected to remain wholesome and safe throughout the entire distribution system – from the food processor, to the retailer, to the consumer who often stores the food until it is prepared for consumption.

Food processors use a variety of methods to ensure that food products remain safe for consumption. Food preservation is accomplished by controlling the microorganisms and/or enzymes that are present in the food.

Enzymes and microorganisms can be controlled or destroyed by changing the environment of the food product by treatments such as:

- high temperature (heating)
- low temperature (chilling or freezing)
- drying
- irradiation
- raising the acidity (or lowering the pH)
- reducing water activity
- including additives or preservatives

- controlling the atmosphere around the food product
- packaging
- high pressure processing (HPP)

Food processors often use one or more of these treatments to preserve the quality of their food and to ensure its safety.

◆ *Scale-up production*

When producing a food product for the retail market, the hotel and restaurant industry or other distribution systems, large volumes of the food product must be prepared.

Most start-up companies outgrow their personal kitchens very quickly because they are just too small and, more importantly; health authorities do not allow commercially sold food products to be made in the family home.

Commercial kitchens or pilot plant facilities are often used to produce larger volumes of product for the marketplace. During this scale-up phase, the entrepreneur often requires the services of a food science professional because food products often behave differently when a 100kg batch is prepared as opposed to a 4kg batch prepared in one's kitchen.

Scale-up often requires that ingredients and processes be modified – in some cases, very little modification will be necessary and at other times, many changes must be made to the recipe or formulation.

During scale-up, the processor must ensure that the resulting food product can be made in sufficient quantities for the marketplace and that the food product is safe and wholesome.

In Saskatchewan, there are several food product development organizations that can help start-up companies with the many stages of product development. Some options include:

Saskatchewan Food Industry Development Centre Inc. (Food Centre) assists food processors in the development of new food products and exploring new market opportunities. Their two processing facilities, Commercial Kitchen and Pilot Plant are well equipped to allow the processor to access local or national markets.

117-105 North Road
Saskatoon, SK S7N 4L5

Email: info@foodcentre.sk.ca
Phone: (306) 933-7555
www.foodcentre.sk.ca

The Department of Food and Bioproduct Sciences at the University of Saskatchewan provides research and product development services to the food industry. This department works closely with the Food Centre in expansion and diversification of the food industry in Saskatchewan.

Department of Food and Bioproduct Sciences
University of Saskatchewan
51 Campus Dr.
Saskatoon, SK S7N 5A8

Phone: (306) 966-4056
Fax: (306) 966-8894
www.agbio.usask.ca

POS Pilot Plant Corporation assists in developing high value components in industries such as: nutraceuticals, functional foods, phytochemicals, cosmetics, edible oils, foods and fine chemicals.

118 Veterinary Road
Saskatoon, SK S7N 2R4

Phone: (306) 978-2800
www.pos.ca

◆ *Analysis*

Food products for commercial sale often undergo a wide variety of analytical tests used to:

- ensure food is safe;
- ensure the processed food meets specifications;
- test raw ingredients before they are added to the product;
- check the bacterial level of a food product;
- gauge consumer acceptance; and
- understand the nutritional quality of the food product.

Microbiological tests can be used to determine:

- the total number of bacteria in a food product
- the number and type of spoilage bacteria
- the presence of disease causing pathogenic bacteria

Chemical tests are commonly used:

- to determine the nutritional quality of a food for listing on a nutrition label
- as a method of quality assurance (i.e. salt levels in butter)
- as a method of determining if the food will remain safe during its storage life

Refer to Analytical Testing for laboratory information.

Sensory analysis of foods is conducted to help the food scientist improve or change a food product so that it is more pleasing to the consumer, is less expensive to produce or to introduce new ingredients into a product without changing the overall taste or texture of the product. Sensory analysis is usually carried out by trained laboratory panels or large consumer panels.

◆ *Regulations*

Food processors are responsible for manufacturing safe food products that meet all applicable federal and provincial regulations.

The key role of our Canadian food regulatory agencies is to ensure a safe food supply for the public. Due to regulations and guidelines developed and enforced by these agencies, foods available for consumption are more likely to be safe and wholesome.

FEDERAL AGENCIES

In Canada, the **Canadian Food Inspection Agency (CFIA)** (www.inspection.gc.ca) administers and enforces food production and food processing regulations. The agency is responsible for inspection services related to food safety, economic fraud, trade related requirements and animal and plant health programs.

CFIA also enforces the food sections of *Health Canada's Food and Drugs Act and Regulations* and *Industry Canada's Consumer Packaging and Labeling Act*.

Food inspectors with CFIA monitor food production by performing food plant inspections and through the collection and analysis of food samples.

Food Inspection Division
100-350 3rd Avenue North
Saskatoon, SK S7K 6G7
Phone: (306) 975-6037

Plant Health and Food Inspection
100-350 3rd Avenue North
Saskatoon, SK S7K 6G7
Phone: (306) 975-4240

300-3085 Albert St.
Regina, SK S4P 4E3
Phone: (306) 780-5220

Industry Canada
7th Floor, 123-2nd Avenue S
Saskatoon, SK S7K 7E6
Phone: (306) 975-4353

P.O. Box 1350
1919 Saskatchewan Dr.
Regina, SK S4P 3V7
Phone: (306) 780-5610

Meat Hygiene Program Officer
2162 Airport Dr.
Saskatoon, SK S7L 6M6
Phone: (306) 975-5010

PROVINCIAL AND TERRITORIAL GOVERNMENTS

Each provincial and territorial government in Canada has its own set of Acts and Regulations that govern the manufacture of foods and beverages. Public health inspectors in each jurisdiction monitor sanitation and investigate health hazards and complaints. They may also inspect facilities where food is prepared, manufactured and stored.

In Saskatchewan:

Saskatchewan Health administers and enforces the Public Health Act through the health districts.

www.health.gov.sk.ca
Disease Prevention and Health Promotion
3475 Albert St.
Regina, SK
S4S 6X6

Phone: (306) 787-0146
Toll-free 1-800-667-7766

Saskatchewan Agriculture is responsible for the Animal Products Act and the On-Farm Quality Assurance Programs Act.

www.agr.gov.sk.ca
Room 201, 3085 Albert Ave.
Regina, SK S4S 0B1

Phone: (306) 787-5140

Saskatchewan Environment ensures the quality of fish for human consumption through the Fisheries Act.

www.environment.gov.sk.ca
3211 Albert St.
Regina, SK S4S 5W6

Phone: 1-800-567-4244
email: inquiry@serm.gov.sk.ca

MUNICIPAL GOVERNMENTS

Municipal authorities should also be consulted prior to operation of a food processing facility. They are responsible for regulations related to zoning, waste management, licensing and other municipal concerns.

Industry Associations

SASKATCHEWAN ASSOCIATIONS

Saskatchewan Bison Association Inc.
(www.saskbison.com)
1660 Pasqua Street
Regina, SK S4N 0A1
Phone: (306) 585-6304 Fax: (306) 585-6285

Saskatchewan Canola Development Commission
(www.saskcanola.com)
212 - 111 Research Drive
Saskatoon, Saskatchewan, Canada S7N 3R2
Phone: 306-975-0262 Toll Free: 1-877-241-7044
Fax: 306-975-0136

Chicken Farmers of Saskatchewan
(www.SaskatchewanChicken.ca)
15-2220 Northridge Dr
Saskatoon SK S7L 6X8
Phone: (306) 242-3611
Fax: (306) 242-3286 Toll Free: 1- 888-332-5825

Dairy Farmers of Saskatchewan
1 – 575 Park Street
Regina, SK S4N 5B2
Phone: (306) 949-6999 Fax: (306) 949-2605

Saskatchewan Food Processors Association
(www.sfpa.sk.ca)
107-105 North Road
Saskatoon, SK S7N 4L5
Phone: (306) 683-2410 Fax: (306) 683-2420

Saskatchewan Herb & Spice Association
(www.saskherbspice.org)
PO Box 7568 Station Main
Saskatoon, SK S7K 4L4
Phone: (306) 694-4622 Fax: (306) 694-2182

Saskatchewan Sheep Development Board
(www.sksheep.com)
2213C Hanselman Court
Saskatoon, SK S7L 6A8
Phone: (306) 933-5200 Fax: (306) 933-7182

Saskatchewan Turkey Producers Marketing Board
(www.agr.gov.sk.ca/agrifood/boards/SKTurkeys.htm)
502-45th Street W., 2nd Floor
Saskatoon, SK S7L 6H2
Phone: (306) 931-1050 Fax: (306) 931-2825

SaskPORK
(www.saskpork.com)
2, 502-45th Street W
Saskatoon, SK S7L 6H2
Phone: (306) 244-7752 Fax: (306) 244-1712

CANADIAN ASSOCIATIONS

Baking Association of Canada
(www.bakingassoccanada.com)
7895 Tranmers Dr., Ste 202
Mississauga, ON L5S 1V9
Phone: (905) 405-0288 Fax: (905) 405-0993

Breakfast Cereal Manufacturers of Canada
885 Don Mills Rd., Ste 301
North York, ON M3C 1V9
Phone: (416) 510-8036 Fax: (416) 510-8043

Brewers' Association of Canada
(www.brewers.ca)
1200-155 Queen St.
Ottawa, ON K1P 6L1
Phone: (613) 232-9601 Fax: (613) 232-2283

Canadian Health Food Association
(www.chfa.ca)
550 Alden Rd., Ste. 205
Markham, ON L3R 3A8
Phone: (905) 479-6939 Fax: (905) 479-1516

Canadian National Millers Association
(www.canadianmillers.ca)
265 Carling Ave
Ottawa, ON K1S 2E1
Phone: (613) 238-2293 Fax: (613) 235-5866

Canadian Pasta Manufacturers Association
(www.pastacanada.com)
408 Queen St Suite204
Ottawa, ON K1P 5A7
Phone: (613) 235-4010 Fax: (613) 235-5866

Canadian Produce Marketing Association
(www.cpma.ca)
162 Cleopatra Dr.
Ottawa, ON K2G 5X2
Phone: (613) 226-4187 Fax: (613) 226-2984

Canadian Restaurant & Foodservices Association
(www.crfa.ca)
316 Bloor St. W
Toronto, ON M5S 1W5
Phone: (416) 923-8416 Fax: (416) 923-1450

Canadian Snack Food Association
(www.canadiansnack.com)
885 Don Mills Rd., Ste. 301
Don Mills, ON M3C 1V9
Phone: (416) 510-8036 Fax: (416) 510-8044

Canadian Beverage Association
(www.refreshments.ca)
20 Bay Street
WaterPark Place, 12th Floor
Toronto, ON M5J 2N8
Phone: (416) 362-2424 Fax: (416) 362-3229
Email: info@canadianbeverage.ca

Canadian Spice Association
(www.canadianspiceassociation.com)
160 Eglington Ave E Suite 300
Toronto On, M4P 3B5
Phone: (416) 595-5333 ext 41 Fax: (416) 595-8226

Canadian Manufacturers Association of Canada
(www.cme-mec.ca)
1 Nicholas Street, Suite 1500
Ottawa, ON K1N 7B7
Tel: 613-238-8888 Fax: 613-563-9218

Edible Oil Foods Association of Canada
885 Don Mills Rd., Ste 301
Don Mills, ON M3C 1V9
Phone: (416) 510-8036 Fax: (416) 510-8044

Packaging Association of Canada
(www.pac.ca)
2255 Sheppard Ave E, Ste. E330
Toronto, ON M2J 4Y1
Phone: (416) 490-7860 Fax: (416) 490-7844

OTHER PROVINCIAL ASSOCIATIONS

Alberta Food Processors Association
(www.afpa.com)
4632 1st Street SE Suite 101
Calgary AB T2G 2L3
Phone: (403) 201-3657 Fax: (403) 201-2513

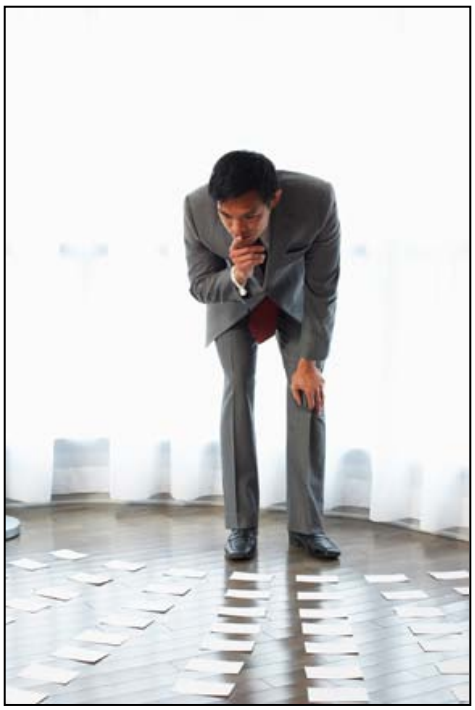
Manitoba Food Processors Association
(www.mfpa.mb.ca)
Unit 12 – 59 Scurfield Blvd.
Winnipeg, MB R3Y 1V2
Phone: (204) 982-6372 Fax: (204) 632-5143

Ontario Food Processors Association
(www.ofpa.on.ca)
PO Box 24010
Guelph, ON N1G 6V8
Phone: (519) 463-6320 Fax: (519) 463-6321

Ontario Fruit & Vegetable Growers' Association
(www.ofvga.org)
355 Elmira Rd. N, Unit 103
Guelph, ON N1K 1S5
Phone: (519) 763-6160 Fax: (519) 763-6604

Establishing Your New Business

A solid business structure is the foundation of a successful company. This section provides information on how to structure your company, how to prepare a business plan and methods of obtaining financing.



Business Plan

No one should venture into a business without a plan.

Once you have evaluated and selected an opportunity for a viable new business venture, it is time to prepare a business plan.

A business plan will:

- identify the amount and type of financing or outside investment required
- make easier for a lender or investor to assess you and your proposal
- encourage realism
- help you better identify your customers, your market, your pricing strategies and the competitive conditions under which you must operate to succeed
- improve your ability to manage your business
- provide an outline of your short term and long term business goals

(Source: Canada Business Service Centre's. Exploring Business Opportunities. www.canadabusiness.ca)

◆ *Opportunity Document*

The Business Opportunity Document will be used as a basis for the Business Plan. This document is meant to initially describe the new business and should not exceed 4-5 pages in length. As discussions develop with investors and the information continues to be refined, the Plan will become more substantive. In subsequent refinements, the Plan will contain detailed financial, marketing and human resources strategies.

A Business Opportunity Document should contain the following information:

- The Opportunity
  - describes very succinctly the opportunity intended to be developed
  - can be stated in one or two paragraphs

- The Product or Technology
  - describe what the food product is, how it will be produced, where it will be produced and how it will be packaged

- Revenues
  - provide a general look at the costs and revenues for the company and/or the product line
  - should show the feasibility of manufacturing and marketing the product(s) and whether an investor could make money if the investment came forward

- The Markets
  - should make clear reference to the markets the company intends to target for the product(s)
  - the information should indicate the potential buyers by company, the method of distribution and how the product will be promoted

- The Investment and Payback
  - shows how much money will be needed to get the company started, an indication of how much additional capital may be required in the subsequent 2-4 years to grow the business
  - indicate the potential payback for any investor, whether this is a debt or equity agency

◆ *Business Plan*

What is a business plan?
A business plan is a recognized management tool used by successful and prospective businesses of all sizes to document business objectives and to propose how these objectives will be attained within a specific period of time. It is a written document which describes who you are, what you plan to achieve, and how you plan to achieve it, where your business will be located, when you expect to get under way and how you will overcome the risks involved and provide the returns anticipated.

Why do you need a business plan?
A business plan will provide information on your proposed venture to lenders, investors, and suppliers to demonstrate how you plan to use their money, and to establish a basis for credibility of your project. More importantly, it is a written road map for you to follow in establishing and expanding your business. It allows you to be proactive in addressing issues that you will face. Starting or running a business without a business plan is like starting a construction project without detailed plans.

(Source: Canada-Saskatchewan Business Service Centre. Business Plan Guide)
There is a wealth of information on-line to assist you in preparing your business plan. Here are a few sites you may want to check out before beginning the process:

Interactive Business Planner www.canadabusiness.ca
The Canada Business website contains business-planning software designed specifically to operate on the web. The IBP will assist businesses in preparing a 3 year plan. The IBP will guide you through each section using question and answer format, give definitions, tips and samples, prepare financial projections for you and assist you with research on the internet.

Money Hunter Business Plan Template www.moneyhunter.com
This template gives you an outline for a business plan with tips.

Business Plan for Small Manufacturers (Canada-Saskatchewan Business Service Centre)
The Canada-Saskatchewan Business Service Centre provides a fact sheet that will help you get ideas and supporting facts down on paper that you will use when drawing up your business plan.

122-3rd Avenue North
Saskatoon, SK S7K 2H6
www.canadabusiness.ca

Phone: (306) 956-2323
Toll Free: 1-800-667-4374
Fax: (306) 956-2328

Business Plan Guide
Canada-Saskatchewan Business Service Centre provides a guide to assist businesses in writing a business plan for the establishment, purchase or expansion of an existing business.

122-3rd Avenue North
Saskatoon, SK S7K 2H6
www.canadabusiness.ca

Phone: (306) 956-2323
Toll Free: 1-800-667-4374
Fax: (306) 956-2328

Business Plan Guide (Saskatchewan Ministry of Agriculture)
Provides an overview of what a business plan should contain.

Industry Development Branch
Room 329, 3085 Albert St.
Regina, SK S4S 0B1

Phone: (306) 787-8523
Fax: (306) 787-0271
www.agriculture.gov.sk.ca

There are also several software packages available to guide you through the preparation of a business plan. A good software package can be a wise purchase because they usually provide additional materials and are easy to update. These can be found at most software suppliers. There are also hard copies of guides available from financial institutions.

Outside assistance from consultants, accountants, bookkeepers and experienced business people can help with plan preparation and review. Look for people with experience in the industry and that have good references. Just remember, this is your business and the plan should be prepared by you and your management team. You are the one who will be running the business so it must make sense to you.

Business Set-Up

◆ *Business Structure*

When starting a new food processing business, the legal business structure you choose will create opportunities or set roadblocks to the business achieving its objectives.

When determining the best structure for your business, consider your goals and objectives.

The business structure can enhance the company's potential for success in the way people perceive, trust and work with the business. It shows whether the owners are principally interested in growth, returns, control or other issues.

It is a good idea to seek the advice of a professional to help determine the best business structure for you.

The basic business structures include:

Proprietorship
- has the fewest restrictions
- owner keeps all profits and absorbs any losses. Generally owner is able to make all decisions without creditors having influence to the degree of their investment

Partnership
- an unincorporated business that has more than one owner
- each partner may have a strength required to build the business

Corporation
- a separate legal body that can be thought of as an "artificial person"
- federal corporations are governed by the rules and regulations of the Canada Business Corporations Act

Co-operative
- a separate legal entity that is democratically controlled by the owners
- all members have an equal vote

New Generation Co-operative
- incorporates some characteristics of both a corporation and a traditional co-operative
- removes some input organization risk to the processor and some sales price and marketing risk to the members

(Source: Saskatchewan Ministry of Agriculture. Choosing the Right Structure for Your Agri-Business)

For more detailed information on the various business structures, check out the following sites:

Choosing the Right Structure for Your Agri-Business (Saskatchewan Ministry of Agriculture)
This 20-page booklet reviews the basic business structures of proprietorships, partnerships, corporations, co-operatives and new generation co-operatives.

Industry Development Branch
Room 329, 3085 Albert St.
Regina, SK S4S 0B1

Phone: (306) 787-8523
Fax: (306) 787-0271
www.agriculture.gov.sk.ca

Forms of Business Organizations (Canada-Saskatchewan Business Service Forms)
A brief description of the forms of business organizations with its advantages and disadvantages.

122-3rd Avenue North
Saskatoon, SK S7K 2H6
www.canadabusiness.ca

Phone: (306) 956-2323
Toll Free: 1-800-667-4374
Fax: (306) 956-2328

Proprietorship, Partnership or Incorpation? (Canada-Saskatchewan Business Service Centre)
Covers advantages and disadvantages of the various business structures and provides information on registering your business.

Corporations Branch (Saskatchewan Justice)
Provides information on the various business structures as well as how to register your business.

2nd Floor, 1871 Smith Street
Regina, SK S4P 3V7
www.saskjustice.gov.sk.ca

Phone: (306) 787-2962
Fax: (306) 787-8999

◆ *Licensing & Insurance*

BUSINESS LICENSING

There are three basic steps to licensing a business in Saskatchewan:

1. Name search – a search ensures that no other business has an identical or similar name to the one you want to use and must be performed before a corporation or business name can be registered
2. Name registration – anyone who carries on business under a business name must register
3. Apply for a business license – a license from the appropriate municipality must be obtained for all businesses before commencing operations

To have a name search performed, register a company, name or incorporate a business, contact:

Saskatchewan Justice - Corporations Branch (www.corporations.justice.gov.sk.ca)

2nd Floor, 1871 Smith Street
Regina, SK S4P 3V7
Email: corporationsjustice@gov.sk.ca

Phone: (306) 787-2962
Fax: (306) 787-8999

For municipal business licenses, contact your local city hall, town or village office, or rural municipality office.

It is wise to consult your lawyer and/or accountant about the structure of your business and, of course, their fees would be on top of those listed above.

Other sources for licensing information include:

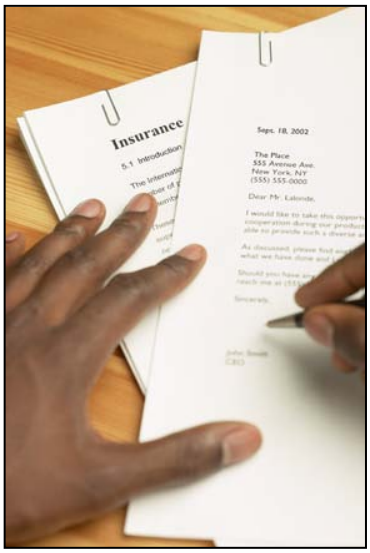
Canada-Saskatchewan Business Service Centre

122-3rd Avenue North
Saskatoon, SK S7K 2H6
www.canadabusiness.ca

Phone: (306) 956-2323
Toll Free: 1-800-667-4374
Fax: (306) 956-2328

INSURANCE

A food processing company must consider what they need to do to protect themselves and their business from a serious loss. With most start-up and small companies, you are the business and must protect yourself and your family from these losses. The best place to start when considering the insurance that's best for you is to find a consultant who will put the time in to understand your business and build a long-term relationship with them.



There are many types of insurance a food processing company should consider. Some are required for businesses while others are recommended.

- Life Insurance – is the most cost effective way to protect your business should something happen to the owners or key employees
- Disability Insurance – as you likely are the business, if something happens to you there is a good chance that the income from the business will either decrease or stop and you need to have an income for yourself or your family
- Critical Illness Insurance – pays a lump sum benefit if you are diagnosed with a critical illness such as heart attack, stroke or cancer
- Group Employee Benefits – can provide a cost effective version of some of the coverage's above and may be important in your search for the key employees that will help you from the companies they deal with

The above information is by no means meant to replace your need for an insurance consultant or broker. The best advice you will ever get will come from a consultant who understands your business and has your trust in them to find the best product for you from the companies they deal with.

◆ *Taxes*

PROVINCIAL SALES TAX (PST)

The PST is a 5% tax based on the retail price of most goods. All food and beverages are exempt from the PST, so food processing companies do not have to worry about collecting this tax, unless they sell products in addition to food and beverages. If they do sell products, other than food and beverages, they must collect PST on these items.

Businesses that do not sell goods or taxable services are required to obtain a Vendor's License. There is no charge for obtaining a vendor's license and it will allow you certain tax exemptions on products you

purchase such as packaging materials. There is also a personal power tax exemption available that may apply to the manufacturing portion of your plant.

For more information on the PST or to obtain the necessary forms to apply for a vendor's license, contact:

Saskatchewan Finance – Revenue Division
www.finance.gov.sk.ca/taxes
Toll-Free: 1-800-667-6102

GOODS AND SERVICES TAX (GST)

The GST is a 5% tax applied to the supply of most goods and services in Canada. Any business exceeding gross yearly revenue of more than $30,000 must register for the GST. If yearly revenue is less than $30,000 registration is optional, but may still be beneficial as you can apply for a refund on the GST you pay on your business purchases.

Basic groceries are considered zero rated for the GST. This means that you can still claim input tax credits but no GST is charged on the product. Food products that are not considered basic groceries would be taxed at a rate of 5%. An example is restaurant food sales where the 5% GST must be collected on the sale.

For information on basic groceries, see:

GST/HST Memoranda Series – 4.3 Basic Groceries
(Canada Customs and Revenue Agency)
www.cra-arc.gc.ca

For more information or to register for the GST, contact:

Canada Customs and Revenue Agency
www.cra-arc.gc.ca

1-800-959-5525 (Business Enquiries and Registration)
1-800-959-2221 (Forms and Publications)

Goods and Services Tax and Harmonized Sales Tax
(Canada Business Service Centre)
www.canadabusiness.ca

BUSINESS NUMBER (BN)

The Business Number replaces many of the numbers businesses need to deal with government. The BN can encompass one or more of the following accounts: GST; Payroll Deductions; Import/Export; and Corporate Income Tax. All new businesses registering for any one of these accounts receive a BN.

For more information or to obtain a Business Number, contact:

Canada Customs and Revenue Agency
www.cra-arc.gc.ca

1-800-959-5525 (Business Enquiries and Registration)
1-800-461-9999 (Automated Customs Information Service – ACIS)
1-800-959-2221 (Forms and Publications)

Business Number (Canada Business Service Centres)
www.canadabusiness.ca

EXCISE TAX

A federal excise tax is imposed on certain luxury goods, whether domestic or imported, such as tobacco and alcoholic beverages. All manufacturers and processors of excisable goods require an excise tax license.

For more information on excise tax, contact:

Canada Customs and Revenue Agency
www.cra-arc.gc.ca

1-800-959-5525 (Business Enquiries and Registration)
1-800-959-2221 (Forms and Publications)

Excise Taxes and Excise Duties
(Canada Business Service Centre)
www.canadabusiness.ca

INCOME TAX

Proprietorships and partnerships report their share of gross and net profits (or losses) for the business' fiscal period on their individual tax return (T1). Incorporated companies file a corporation tax return (T2) within six months of the end of the corporations' fiscal period.

For more information on income tax, contact:

Canada Customs and Revenue Agency
www.cra-arc.gc.ca
1-800-959-5525 (Business Enquiries and Registration)
1-800-959-2221 (Forms and Publications)

Canada Business Service Centre
www.canadabusiness.ca
Income Tax Returns: T1
Income Tax Returns: T2

◆ *Patents & Trade-marks*

PATENTS

A patent grants an inventor the exclusive right to manufacture, use and sell an invention in Canada. Patents protect inventions for 20 years from the date of filing. Patents may be applied to any new invention such as any new and useful product, composition, apparatus or process, or any new and useful improvement, that is not obvious to someone skilled in the particular field. In the food industry, patents are applied mainly to new processing inventions.

For additional information on patents, contact:

Canada Intellectual Property Office (CIPO)
www.cipo.ic.gc.ca

1-800-959-5525 (Business Enquiries and Registration)
1-800-959-2221 (Forms and Publications)

50 Victoria Street
Place du Partage 1, 2nd Flr, C-229
Gatineau, Quebec K1A 0C9

Phone: (819) 997-1936
Fax: (819) 953-7620

Canada Business Service Centre
www.canadabusiness.ca

TRADE-MARKS

A trademark is a word, symbol, design or slogan that distinguishes a product or service from others. Trade-marks do not have to be registered, but ownership is more easily protected if it is. Trademarks are registered for a period of 15 years and can be repeatedly renewed for 15 year periods if they are still in use.

For more information on trade-marks, contact:

Canada Intellectual Property Office (CIPO)
www.cipo.ic.gc.ca

50 Victoria Street
Place du Partage 1, 2nd Flr, C-229
Gatineau, Quebec K1A 0C9

Phone: (819) 997-1936
Fax: (819) 953-7620

Canada Business Service Centre www.canadabusiness.ca

◆ *Human Resources*

Employers are responsible for:

- ensuring they have a Business Number identifying the four major business accounts; corporate income tax, import/export, payroll deductions, GST
- deducting income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from amounts paid to employees
- sending in these amounts along with their share of CPP contributions and EI premiums that they have to pay on their employees' behalf
- obtaining a social insurance number from each employee
- reporting these amounts on an information return by the end of February of the following calendar year

(Source: Canada Business Service Centre - *Becoming an Employer)*

There are a number of different on-line services for helping you deal with human resources issues, from recruitment to labour legislation. Check out these sites for more information:

Human Resources and Social Development Canada
www.hrsdc.gc.ca

Government of Saskatchewan www.gov.sk.ca or www.labour.gov.sk.ca

122, 3rd Ave N
Saskatoon, SK S7K 2H6
Phone: (306) 933-6587

1870 Albert St.
Regina, SK S4P 3V7
Phone: (306) 787-9106

Saskatoon Service Centre
101 – 22nd Street East
Saskatoon, SK S7K 0E2
Phone: 1-800-206-7218
Fax: (306) 975-6424

Labour Relations/Standards/ Occupational Health & Safety
122 3rd Avenue North
Saskatoon, SK
Labour Relations: (306) 933-6587
Labour Standards: (306) 933-5042 Toll Free: 1-800-667-1783
OHS: (306) 933-5052 Toll Free: 1-800-667-5023

Regina Service Centre
2045 Broad Street
Regina, SK S4P 2N6
Labour Relations: (306) 787-0817
Phone: 1-800-206-7218
Fax: (306) 787-3700

Employers Online (Government of Canada)
www.canada.gc.ca

Becoming an Employer (Canada Business Services Centre)
www.canadabusiness.ca

Business Financing

◆ *Financing*

What funds do you need?

- Initial costs – land, building, fixtures, machinery, supplies, vehicles, pre-opening expenses and opening inventory
  - usually funded by long term financing
- Daily operating costs – rising inventories, payroll, rent, taxes, advertising, accounts receivable, etc.
  - usually funded by short term financing

To determine what these costs will add up to, prepare a cash flow forecast, which will give you an estimate of your cash requirements for the first 12 months.

TYPES OF FINANCING
There are a number of types of financing available for business ventures:

Equity Capital – Equity capital is money supplied by you and/or your partners or raised from other investors and is not debt. Typically there are no fixed repayment terms. Equity capital includes personal investments and partnership investments. Corporations, both public and private, can sell shares to raise equity capital. Equity is best used for working capital needs, as it is easier to borrow money for fixed assets.

Venture Capital – Venture capital is long-term and risk capital for high risk enterprises with potential. Companies providing venture capital take an equity position, usually in the 20-40% range. In addition, they can usually provide advice and consultation on matters such as financial planning and control, underwriting, accounting and marketing. Normally venture capitalists will not look at investments smaller than $1 million.

Term Loans – Term loans are usually used to finance fixed assets, leasehold improvements and other long-term business assets. Sources for term loans include banks, insurance companies, trust companies, credit unions, commercial credit and acceptance companies, and government organizations. Loans are usually secured by assets, mortgages and personal guarantees. (Source: Canada-Saskatchewan Business Service Centre. Lending – The Basic Criteria, www.canadabusiness.ca/sask/)

Acquiring a Loan

Money lenders always consider (to varying degrees) the following factors:

- Repayment ability
- Management skills
- Strength of investment
- Security against losses
- Equity

When making a presentation to a lending agency, keep these tips in mind:

- Have a business plan prepared and be familiar with it
- Have a proposal prepared of the funds you require, what those funds will be used for, and how you plan to repay the loan
- Make an appointment to speak with the manager. Never just "drop-in"
- If you do not feel confident with the manager's understanding of your proposal, you may want to shop around
- Encourage the manager to visit your business
- Make sure you deal with a trained commercial lender who is authorized to make the amount of loan requested
- Find the lending institution that best meets your needs
- Providing misleading information could destroy the mutual trust between you and the lender
- Keep your lender informed of your successes and failures to get the best co-operation when having difficulties
- Be sure of what you need and what you are prepared to pay for it
- Try to plan your financing so that your proposal does not appear "urgent". "Urgent" proposals show a weakness in management.

(Source: Canada-Saskatchewan Business Service Centre. Lending – The Basic Criteria, www.canadabusiness.ca/sask)

For more information on financing, contact:

Canada-Saskatchewan Business Service Centre (www.canadabusiness.ca)

122, 3rd Ave N
Saskatoon, SK S7K 2H6

Phone: (306) 956-2323
Toll-Free: 1-800-667-4374
Fax: (306) 956-2328

Western Economic Development Canada www.wd.gc.ca

P.O. Box 2025
Suite 601, S.J. Cohen Bldg
119 – 4th Avenue S
Saskatoon, SK S7K 3S7

Phone: (306) 975-4373
Toll-Free: 1-888-338-WEST (9378)
Fax: (306) 975-5484

1st Floor, 1925 Rose Street
Regina, SK S4P 3P1

Phone: (306) 780-8080
Fax: (306) 780-8310

◆ *Funding Programs*

There are a number of funding programs available in Saskatchewan that may or may not suit the needs of your business. It is a good idea to look into some of these programs as the assistance provided may help propel your business enterprise towards success.

Funding Programs available in Saskatchewan include:

Saskatchewan Agri-Value initiative (SAVI) Program
www.agr.gov.sk.ca
This program encourages the development and expansion of Saskatchewan's agri-businesses by providing assistance for new product development and market assessment. Saskatchewan based processing companies, producer/processor organizations, and businesses involved in value-added processing of agricultural products that maintain a significant business interest in Saskatchewan are eligible for value-added business development programming.

For more information contact your Regional Farm Business Management Specialist at a Regional Office near you:

Kindersley	(306) 463-5513
Moose Jaw	1-866-457-2377
North Battleford	(306) 446-7962
Outlook	(306) 867-5575
Prince Albert	(306) 953-2363
Swift Current	(306) 778-8285
Tisdale	(306) 878-8842
Watrous	(306) 946-3220
Weyburn	(306) 848-2857
Yorkton	(306) 786-1531
Regina	**(306) 787-5924**
Saskatoon	**(306) 933-5344**

Agriculture Development Fund (ADF)
www.agr.gov.sk.ca
The ADF supports research and development to assist in the development of an innovative, diversified and competitive agricultural and value-added economy in Saskatchewan. There are three programs managed under ADF: The Research and Development Projects Program, the Agri-Value Program, and the Strategic Research Program with the University of Saskatchewan.

Regina: (306) 787-6566
Saskatoon: (306) 933-7652

Agriculture and Agri-Food Canada (AAFC)

www.agr.gc.ca

Agriculture and Agri-Food Canada has a number of programs and services available to assist agriculture and agri-food related companies. The Program for Export Market Development (PEMD) is the government's primary international business development program.

Regina: (306) 780-6124
Saskatoon: (306) 975-5315

Business Development Bank of Canada (BDC)

www.bdc.ca

BDC offers a variety of specialized and flexible financial services for commercially-viable businesses. The Bank bases its lending decisions on the strength of an applicant's financial structure, management team and future repayment ability, and not just security-based formulas.

Regina: (306) 780-6478
Saskatoon: (306) 975-4822

Advancing Canadian Agriculture and Agri-Food Saskatchewan (ACAAFS)

www.agcouncil.ca/acaafs

The ACAAFS program is delivered under the three "Pillars", which are:
Pillar I – Industry-Led Solutions to Emerging Issues
Pillar II – Capturing Market Opportunities by Advancing Research Results
Pillar III – Sharing Information to Advance the Sector

207 - 116 Research Drive (Concourse Building - Innovation Place)
Saskatoon, Saskatchewan S7N 3R3
Phone: (306) 975-6847 Toll Free: 1-800-641-8256
Email: info@agcouncil.ca

Crown Investments Corporation of Saskatchewan (CIC)

www.cicorp.sk.ca

Over the next five years (2000-2004), CIC projects it will invest $260 million in agriculture and related sector areas (i.e. food and crop processing, meats, nutraceuticals, agriculture equipment manufacturing).

Regina: (306) 787-7273 Saskatoon: (306) 933-7315

Enterprise Saskatchewan

www.enterprisesaskatchewan.ca

Through our regional offices, Enterprise Saskatchewan provides business and co-operative development support through assessment, information, pathfinding and referral services.

Regional Enterprise encourages job creation by Saskatchewan's business community by co-ordinating and delivering a comprehensive small business support system in partnership with the public and private sectors, and also works with community leaders to support and strengthen economic development in the province.

Call 1-800-265-2001 (in Saskatchewan only) to contact the regional office nearest you.

Industrial Research Assistance Program (IRAP)

www.irap-pari.nrc-cnrc.gc.ca

The National Research Council provides a program to help Canadian firms improve their technological competence, productivity, and competitiveness. IRAP supports technology innovation in industrial firms and associations through research, development and adaptation of products, processes and intellectual property. IRAP assists in technical advice, linkages between Canadian firms and sources of appropriate technology and expertise, and financial support.

Saskatoon: (306) 975-4748

Innovation Place

www.innovationplace.com

Innovation Place provides a range of business financing services including debt, contract financing, equity and guarantees. Projects must be commercially viable and must provide clear economic development benefits.

Regina: (306) 787-8595
Saskatoon: (306) 933-4373

Western Economic Diversification Canada (WD)

www.wd.gc.ca

WD, in partnership with other business service organizations, provides a link to resources for small and medium-sized businesses in Western Canada. The Agricultural Value-Added Loan Fund has been specifically designed to benefit agricultural processors.

P.O. Box 2025
Suite 601, S.J. Cohen Bldg
119 – 4th Avenue S
Saskatoon, SK S7K 3S7

Phone: (306) 975-4373
Toll-Free: 1-888-338-WEST (9378)
Fax: (306) 975-5484

1st Floor, 1925 Rose Street
Regina, SK S4P 3P1

Phone: (306) 780-8080
Fax: (306) 780-8310

Women Entrepreneurial Foundation of Saskatchewan (W.E.)

www.womenentrepreneurs.sk.ca

W.E. has a Loan Fund which can be accessed by members of their organization. To be eligible, the business must also be owned (51% or greater) and controlled by women.

Regina: (306) 359-9732
Saskatoon: (306) 477-7173 Toll Free: 1-800-879-6331

Entrepreneurial Foundation of Saskatchewan (EFSK)

www.efsk.ca

EFSK provides advisory services, training and mentorship to entrepreneurs seeking access to investment capital during the initial commercial start-up and expansions stages of their small businesses.

#207 – 116 Research Drive
Saskatoon, SK
S7N 3R3

Phone: (306) 964-2010
Toll-free: 1-888-964-2010
Fax: (306) 964-2014

#103 – 1919 Rose Street
Regina, SK
S4P 3P1

Phone: (306) 798-0416
Fax: (306) 964-2014

For more information on various funding programs and sources, check out:

Funding Programs
(Saskatchewan Food Industry Development Centre)
www.foodcentre.sk.ca/Resources/Funding

Financing for Small Business Info-Guide
(Canada-Saskatchewan Business Service Centre)
www.canadabusiness.ca/sask

122, 3rd Ave N
Saskatoon, SK S7K 2H6

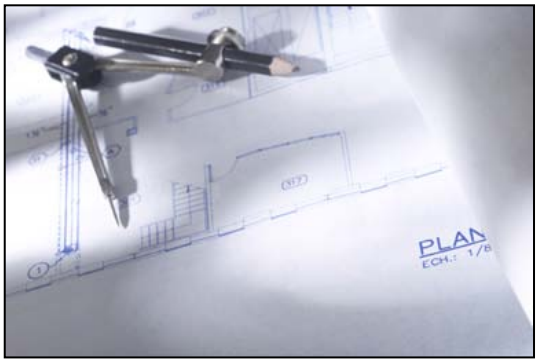
Phone: (306) 956-2323
Toll-Free: 1-800-667-4374
Fax: (306) 956-2328

Other Sources of Financing
Industry Canada - Under Programs and Services
www.ic.gc.ca

Manufacturing Your Product

Manufacturing a quality, consistent product is the goal of all food processing companies. This section deals with aspects of manufacturing such as equipment, food safety and packaging.

Plant Design



Once your production has reached a certain level, it may be practical to design and construct a processing plant of your own. A well designed facility will meet all the safety and regulatory requirements as well as requirements for implementation of food safety and quality assurance programs. A poorly designed facility can cost serious time, money and product loss, among other disadvantages.

◆ *Facility Options*

For many start-up food processing companies, it is not feasible to construct a food processing facility immediately. They may choose to use the facilities at an interim facility until sales volumes increase. These facilities allow a company to go in and make larger quantities of product than they could make in a home kitchen, and the facility is approved for commercial production. The Food Centre has a commercial kitchen that can be used for interim processing.

Small companies may also cut down on initial capital costs by choosing to use a co-packer to package their products. Some companies only co-pack, meaning they only package product for other companies and not their own. Other companies want to maximize their equipment use and will consider co-packing other company's products that will work with their equipment.

◆ *Design*

LOCATION
Considerations when selecting a site location should include proximity of your market, transportation costs, raw materials, and energy supply. A potable water source (safe for human consumption) and sewage disposal facilities also must be readily available. Check with your local municipality/city for any zoning restrictions.

CONSIDERATIONS
A well-planned facility should make the production process safe, efficient and sanitary and eliminate problems such as cross contamination, poor food handling practices and crowded working condition. Location of equipment in the facility, storage of raw materials, cleaning compounds, garbage, and offal disposal should be carefully planned before construction or renovations begin. Design

recommendations can be found in the *Code of Practice*, *General Principles of Food Hygiene for Use by the Food Industry in Canada*, distributed by the **Canadian Food Inspection Agency (CFIA)**.

Room 300 – 3085 Albert St.
Regina, SK
S4P 4E3

www.inspection.gc.ca
Phone: (306) 780-5033
Fax: (306) 780-5177

Meat processors should review the appropriate provincial government guidelines for meat processing and CFIA's Meat Inspection Act.

When designing a food processing facility, there are minimum requirements which should be met.

Space Allocation:

- Processing rooms – design product flow to prevent cross contamination of raw and finished product – design with safe food handling practices in mind
- Storage areas – need adequate space for product storage (i.e. refrigeration, freezing, dry storage, equipment, chemical storage, etc.)
- Washrooms – must not open directly into processing area
- Employee change rooms – should be provided
- Customer service area – for product sold on site; separate from processing areas, storage areas, and equipment cleaning areas with restricted access to these areas

Facility Design:

- Water supply – must have an abundant supply of potable water (safe for human consumption)
- Plumbing and sewage disposal – plumbing permit required – check with municipality/city for bylaws concerning treatment of waste
- Garbage and offal disposal – must have proper storage for garbage pending removal from site – meat, game and poultry processors must dispose of offal, blood and other animal waste using methods approved by provincial regulations
- Ventilation – remove excessive heat, odour, smoke and condensation – airflow should flow from final processing stage to other areas in the plant to prevent possible airborne contamination of finished product
- Hand washing stations – must be conveniently located with hot and cold potable water, hands-free faucets, soap and disposable paper towels
- Other – separate areas for raw materials handling, equipment cleaning areas, finished product packaging areas and staff rooms

◆ *Construction*

When choosing construction materials; select ones that will facilitate easy and efficient cleaning of processing and storage areas. A reference listing of accepted construction materials, packaging materials and non-food chemical products can be found on the CFIA website.

- **Walls and Ceilings**
    - should be smooth, hard and easily cleaned
    - should be impervious to moisture in wet processing areas

- recommendations include prefabricated panels, glazed tile, smooth steel-trowelled portland cement and pre-finished panels (i.e. Fibreglass Reinforced Panels (FRP))

- Floors
  - use hard materials that do not absorb liquids and are easy to clean
  - should slope toward floor drains
  - recommendations include waterproof concrete, masonry floor tile, vitrified bricks and synthetic materials

- Doors
  - exterior doors should be self-closing and fit well to reduce the possibility of pests entering the facility
  - use strips of rubber or plastic in heavy traffic areas to keep out insects and dirty air

- Lighting
  - A minimum light intensity of 220 lux is required in work rooms and a minimum of 540 lux for inspection points (meat processing is 800 lux)

  - all lighting within the food processing area must be covered to prevent broken glass from entering food products or contaminating food contact surfaces

◆ *Inspection*

Food processing plants must, at the very minimum, comply with local building and regulations, public health regulations, and fire and safety regulations. Contact your local municipality/city for contact information.

A food plant can be non-registered, provincially registered or federally registered depending on the product being produced and the market you wish to reach.

- Non-Registered Facilities
  - Inspections carried out by local health unit with frequency dependent on risk assessment
  - Contact your local municipality/city

- Provincially Registered Facilities
  - For products sold only within the province
  - Inspections carried out by provincial regulators

    Saskatchewan Agriculture
    Inspection and Regulatory Management Branch
    Room 201, 3085 Albert St.
    Regina, SK S4S 0B1
    Phone: (306) 787-4678

- Federally Registered Facilities
  - For companies that supply goods to a federally registered establishment, apply any Canadian trademark to their product, or produce a standardised food listed in the Food and Drug Act, which may or may not be sold outside the province

  - Inspections carried out by the Canadian Food Inspection Agency

    Canadian Food Inspection Agency
    Food Inspection General Inquiries
    Phone: (306) 975-4240 - Saskatoon
    Phone: (306) 780-5180 – Regina

Equipment

Food manufacturing equipment can be a significant investment in your food processing company. A start-up or small food processing company should investigate all options before purchasing a piece of equipment. Options include using equipment at an interim processing facility, borrowing, renting and leasing equipment. Options include using equipment at an interim processing facility. When you do make the decision to purchase a piece of equipment, make sure it is suitable for the task you want it to do. Some equipment can be purchased directly from an equipment supplier or second hand, but some may need to be custom made for your needs and facility.

◆*Materials*

All equipment and utensils should be made of materials which are non-absorbent, resistant to corrosion and are able to withstand repeated cleaning and sanitizing. Food contact surfaces should be smooth and free from pits and crevices. Always keep in mind that food processing equipment must be cleaned and sanitized thoroughly and frequently and the materials chosen must facilitate this process.

Most food processing equipment is made from stainless steel, which is recommended material for food processing equipment. Stainless steel is corrosion-resistant and is available in different finishes. Mild steel or iron may be used for dry ingredient and some edible oil products, but it is mostly used for equipment framework and supports. Some plastics also have certain applications for food processing equipment utensils but they must be "food grade" with a smooth surface. Wood should be avoided as it cannot be adequately cleaned and disinfected. Glass, asbestos, cadmium and lead should not be found anywhere in a food plant.

◆ *Purchasing*

When making the decision of whether or not you should purchase a piece of equipment, there are several factors to consider. Costs that must be considered include purchase price, installation, utilities to operate equipment, and maintenance and repair. Benefits include savings in labour, increased production output and savings in materials.

If you decide to make an equipment purchase, know exactly what you want the equipment to do and how much you can afford to spend. Modifications can be made to equipment but this can be costly. See if there is someone who has a similar piece of equipment that you could look at before purchasing. There are also several organizations that can custom design and build equipment specific to your needs.

Quality Assurance

◆ *Analysis*

The ability to monitor your process from receiving through to finished product is an essential component of a quality assurance program. Although certain simple tests can be done in the production area, other tests require sample preparation and analysis using specialized equipment that is best suited to the laboratory environment.

There are four basic types of analyses that are conducted in a laboratory setting:

- Physical
- Sensory
- Chemical
- Microbiological

Each requires different equipment and environmental conditions.

PHYSICAL ANALYSIS
The physical parameters of your product must meet required specifications. Physical tests will check the viscosity, particle size, length, diameter, weight, and the percentage of solids and moisture. Equipment needed for these tests include viscographs, particle size analyzers, calipers, scales, refractometers, drying ovens and moisture balances. Physical tests generally require minimal preparation but may generate a significant amount of airborne contaminants and noise. When designing your laboratory it is best to group this type of equipment in an area that will minimize the impact on other tests and operations.

SENSORY ANALYSIS
Sensory evaluations are performed to ensure that the appearance, color, flavor and texture of the product meet the required specifications. Sensory evaluations may only require a visual inspection and tasting of the product or could also employ the use of equipment such as colour analyzers. Dependent upon the nature of your product, you may also want to evaluate it as the consumer would consume it, following the given preparation instructions which may require ovens, stoves and microwaves for

preparation purposes. Lighting must be adequate for evaluation purposes and the area should be away from any odors that would interfere with accurately identifying off odors or flavors of the product.

CHEMICAL ANALYSIS

These tests are done to ensure that the chemical parameters of your product meet the required specifications. Examples of chemical tests are pH, % salt, % fat, % protein, reducing sugars, vitamins, minerals, and % starch. Types of equipment include spectrophotometers, pH meter, distillation apparatus, titration equipment, and chromatography equipment.

Chemical tests can require minimal to extensive preparation. Many analyses require the use of hazardous chemicals and require the installation and use of safety equipment such as fume hoods, safety cabinets and showers as well as the use of gloves, goggles and aprons. It is best to group this type of equipment in an area that has positive air pressure with maximum air circulation.

MICROBIOLOGICAL ANALYSIS

You need to ensure that microbiological levels in your product do not exceed the specifications.

Microbiological tests may be grouped into two general categories:

- indicator organisms
- pathogens

Pathogen testing requires very specialized protocols. Unless you have a trained microbiologist on staff, your best option is to send your samples out to an accredited laboratory for analysis.

Examples of microbiological tests for indicator organisms include:

- total plate count (TPC) or aerobic plate count (APC)
- total coliforms
- yeast and mould
- lactics

Examples of microbiological tests for pathogens include *E.coli, Salmonella* and *Listeria monocytogenes*.

Types of equipment needed for micorbiological testing include incubators, scales, stomacher, media and petri dishes or Petrifilm®, autoclave, colony counter and pipettors.

Micro testing is best done in a separate room away from all other testing and activity as samples can be easily contaminated and all samples must be considered potentially hazardous. Rooms where micro testing is done should have a negative air pressure and be away from any direct drafts or air currents. Where this is not possible, a laminar flow hood may be considered to control airborne contamination during the plating process.

◆ *Analytical Testing*

Although analytical testing is extremely important for ensuring the quality and safety of a food product, many start-up and small food processing companies cannot afford to set up a lab and may not have the expertise or time to perform the tests. If there is not a large quantity, a cost effective option is to send samples to an analytical lab to have certain tests performed.

There are a number of analytical labs located in Saskatchewan to assist in your analytical testing.

Analytical labs in Saskatchewan include:

University of Saskatchewan
www.agbio.usask.ca
Food and Bioproduct Sciences
Department of Agriculture Building
Saskatoon, SK S7N 5A8
Phone: (306) 966-5024

POS Pilot Plant
www.pos.ca
118 Veterinary Road
Saskatoon, SK S7N 2R4
Phone: (306) 978-2800

BDS Laboratories
www.bdslabs.com
#13 Qu'Appelle Street
P.O. Box 363
Qu'Appelle, SK S0G 4A0
Phone: (306) 699-2679

SunWest Food Laboratory Ltd.
www.sunwestlab.ca
201 – 111 Research Drive
Saskatoon, SK S7N 3R2
Phone: (306) 934-3600

◆ *On-site Lab*

A well-designed laboratory combines the necessary technology in a suitable environment to ensure that the results obtained from the testing are accurate and reliable. Consult with laboratory professionals prior to beginning the design of your laboratory. Many laboratory supply companies offer a design service.

The types of tests that you'll perform will determine the type of equipment that you'll need along with the types of services that will be required. Here is a list of options to consider:

- Hot and cold running water
- Distilled or de-ionized water for reagent preparation
- Adequate electrical service
- Proper air pressure and ventilation
- Air and Vacuum lines
- Gas lines
- Choice of bench top materials

- Chemical and reagent storage flammable and solvent storage cabinets, room temperature, refrigerated and freezer storage
- Explosion proof drains
- Fume hood
- Retained sample storage
- Laboratory record storage system

You may also source used laboratory equipment from various suppliers. One word of caution: you really need to know what you are looking for as there are a multitude of makes and models in variable condition available for every type of equipment.

Food Safety

The food industry's outbreaks of ecoli, samonella, food poisoning, etc, have raised the profile of food safety in not only consumers but manufacturers. Ensuring food safety in your manufacturing practices consists of following various food quality and safety systems and complying with federal, provincial and municipal regulations.

Larger companies have the resources to train their employees to ensure food quality and safety. However, small to medium sized companies are challenged with time and resources when it comes to training new and current employees. This becomes a bigger hurdle for food processors in rural areas. Saskatchewan food processors need to be equipped with the tools to manufacture a safe and quality product in order to compete in the global marketplace.

The Food Centre offers food safety training via online, on-site and workshops. To view the Food Centre's online training, check out www.FoodIndustryTraining.ca. For more information on our on-site and workshop training, contact the Food Centre at (306) 933-7555 or email: training@foodcentre.sk.ca.

◆ *FoodSTEPS*

FoodSTEPS™ is a series of training courses designed specifically to help small and medium- size food processors address technical issues.

Processing Foods Safely is the first in a series of programs from FoodSTEPS™. The series is divided into **10 modules** that can be delivered in one day or in smaller segments as time permits, giving you and your employees the information you need regarding food regulations, proper processing of foods and safe food handling.

1. The Three R's of Processing: Roles, Responsibilities and Regulations
2. Food Microbiology
3. Constructing a Food Safe Building
4. The Safe Food Handler
5. The Handling and Storage of Raw Materials
6. Food Processing and Preservation
7. Monitoring the Food Production Process
8. Cleaning and Sanitizing

9. Pest Control
10. Work towards HACCP

Module 1. THE THREE R'S OF PROCESSING: ROLES, RESPONSIBILITIES AND REGULATIONS

Food Processors are responsible for manufacturing safe food products that meet all applicable federal and provincial regulations. Processors can be held responsible if the product they produce causes illness, harm or death. Therefore, avoiding potential problems rather than trying to fix the damage once it's done, makes good sense.

The responsibility of the food processor is to manufacture a safe and wholesome food product. Safe and wholesome food products result from:

- a well-designed food processing facility
- prevention of hazards
- good personal hygiene and food handling practices
- controlled processing procedures
- sanitation program
- pest control program

Compliance with regulations results in:

- good working conditions with regulatory agencies
- preparation, sale and distribution of safe food products
- good relations with consumers
- positive publicity

Federal food regulatory agencies include:

Canadian Food Inspection Agency (CFIA) www.inspection.gc.ca
CFIA enforces the food related portions of the *Food and Drugs Act* and *Regulations* and the *Consumer Packaging and Labeling Act*.

Health Canada www.hc-sc.gc.ca
Health Canada retains legislative and regulatory responsibility for the *Food and Drugs Act and Regulations,* food safety policy, standard setting, risk assessment, analytical testing, researching and audits.

Industry Canada www.ic.gc.ca
Industry Canada retains legislative and regulatory responsibilities for the *Consumer Packaging and Labeling Act* and administers and enforces the *Weights and Measures Act.*

Provincial and Territorial governments have their own set of Acts and Regulations that govern the manufacture of food and beverages. It is the responsibility of the processor to know and abide by these regulations.

Saskatchewan Health www.health.gov.sk.ca
Public Health Inspectors in each jurisdiction monitor sanitation and investigate health hazards and complaints.

Module 2. FOOD MICROBIOLOGY

Microbiology is the study of very small living organisms. There are a number of different kinds of microorganisms that are important to food processors. These include *bacteria, yeasts, moulds, parasites and viruses.*

Some microorganisms are used for manufacturing food products such as cheese and fermented meat products, while others may cause foods to spoil or are the cause of food-borne illnesses.

Food processors are mainly concerned with bacteria associated with food spoilage and food-borne illnesses. Yeasts and moulds may spoil food. In addition, moulds can produce harmful toxins. Parasites and viruses can also contaminate foods and cause illness if ingested. Food is very nutritious for microorganisms. As a food processor, you need to be familiar with:

- types of microorganisms that can contaminate food
- sources of microorganisms
- problems caused by microorganisms
- how foods become contaminated
- methods of controlling growth

How foods become contaminated:

Food spoilage and food-borne illness are not random or chance events. All foods contain microorganisms and it is the way food is handled during processing and storage that determines if the food will become spoiled or a source of illness.

The most common sources of contamination associated with food handling practices are:

- improper temperature control during handling and processing of food
- cross contamination due to improper food handling practices
- poor worker hygiene

Food processors have two goals concerning microorganisms:

1. prevent microorganisms from contaminating the product
2. prevent microbial growth

Module 3. CONSTRUCTING A FOOD SAFE BUILDING

The objectives of a well-planned facility are to make the production process safe, efficient and sanitary.

The design of a facility, and such factors as location of equipment in the facility, storage of raw materials, cleaning compounds, garbage and offal disposal, should be carefully planned before construction or renovations begin.

See Plant design section for more information.

Module 4. THE SAFE FOOD HANDLER

It is the responsibility of those who work in a food processing facility to understand:

- safe food handling
- where pathogens originate from and how they contaminate food products
- the effect pathogens have on food products
- contamination prevention

Bacteria may be found in the nose, mouth, throat, hair, feces, skin and hands, including under fingernails. Microorganisms can be easily transferred from non-food items to food by simply touching non-food items before handling the food. Precautions must be taken to control the spread of microorganisms from food handlers onto the food product. Proper hand wishing is an effective means of decreasing microbial contamination.

The Ideal Work Situation

In the ideal situation, microorganisms would be prevented from contaminating food products. When a food handler arrives for work they should do the following:

- remove all jewelry
- put on hair nets
- remove street shoes and put on work boots or shoes to wear in the processing facility
- change into a clean uniform or smock
- wash hands and fingernails using proper technique

Processing facilities require proper hand washing stations, hand sanitizers and footbaths that are conveniently placed at appropriate locations throughout the plant. All food handlers require training to understand how their work habits impact upon food safety.

Module 5. THE HANDLING AND STORAGE OF RAW MATERIALS

Raw materials must be handled and processed according to their unique characteristics to help ensure that safe, high quality products are produced each and every time.

Dairy products, fresh or processed meats, bakery products and fruits and vegetables all have different handling and processing requirements.

To handle, process, store and distribute safe food products, processors need to understand the special requirements of both their raw and finished products. All raw materials including packaging should be inspected upon arrival to ensure that they meet your product specifications as well as ensuring that the containers have not been opened or damaged and that perishable items arrive at the proper temperature.

All materials should be stored and used according to the FIFO system – First in, First Out.

Module 6. FOOD PROCESSING AND PRESERVATION

The goal of food processing is to provide consumers with a variety of food choices. The goal of food preservation is to preserve the quality of the food until consumed. Food preservation is accomplished by controlling microorganisms and/or enzymes.

Both enzymes and microorganisms can be controlled or destroyed by changing the environment of the food product. The environment can be changed by treatments such as:

- high temperature
- low temperature
- drying
- irradiation
- acidity (pH)
- water activity (Aw)
- additives and preservatives
- atmosphere
- packaging

Any food processes use combinations of "hurdles" to prevent microbial growth (i.e. high acidity combined with a low water activity in jam).

Module 7. MONITORING THE FOOD PRODUCTION PROCESS

Quality characteristics in a food product include consistency, food safety, physical appearance, chemical composition, sensory characteristics, value, nutrition and shelf life.

The monitoring of the food production process from the receipt of raw materials through to finished product is part of a Quality Control or Quality Assurance Program. For each product and process, the food processor should be able to monitor the critical steps and keep accurate records. The type of product produced determines the type of monitoring and testing.

The primary goal of quality control is to provide a safe food product of consistent quality. Safe food products are free from physical hazards (i.e. glass, metal), chemical hazards (i.e. sanitizer or pesticide residues and additives above the regulated level), and microbiological hazards (i.e. pathogenic microorganisms).

Allergens

Processors need to understand that certain ingredients may produce an allergic reaction in certain individuals. These ingredients must be identified and handled in a manner that prevents cross contamination. All products containing the allergenic ingredient must be properly labeled to provide the consumer with the information needed to make an informed decision to purchase.

Module 8. CLEANING AND SANITIZING

Cleaning and sanitizing are important components of an effective cleaning program and are important in maintaining product safety and quality.

Cleaning is the process where food, residue, dirt and dust are physically removed from food equipment surfaces and the surrounding processing environment.

Sanitizing is a later step in the clean-up process, which acts to reduce the number of microorganisms on surfaces to an acceptable level and kills all pathogens.

The key requirements for achieving effective cleaning in a food plant are:

- Cleaning food contact surfaces by understanding the type and nature of the soil to be removed – i.e. protein, fat, starch or sugar.
- Equipment cleaning using a proper cleaning sequence: pre-rinse, detergent clean, rinse, sanitize, rinse (may be required dependent upon the type of sanitizer used).
- Knowledge of the types and capacities of cleansers and sanitizers.
- Methods of cleaning – cleaning in-place (CIP), manual, foam, high pressure/low pressure.
- Properly trained personnel who are responsible for cleaning procedures.
- Documented procedures and records.

Cleaning procedures should be developed with management and cleaning chemical suppliers.

The Food Centre offers a CD on "Sanitation – A Defensive Approach" to train your employees on proper sanitation of your plant. To find out more, check out www.foodindustrytraining.ca

Module 9. PEST CONTROL

Preventing problems with rodents, birds and insects is a critical step in the safe processing of food products. If allowed to infest a processing facility, these creatures can easily contaminate food products. In addition they can cause extensive damage to other stored materials.

To reduce the chances of pests destroying the raw and/or finished products, an aggressive pest control program is essential.

The three-step program for pest control includes:

- Good housekeeping and inspection of the facility for potential problems (i.e. unscreened windows, poorly closing doors, product spills, unsealed cracks and crevices.
- Detection of pest infestations (i.e. rodent or bird droppings, rodent urine-detected by UV light).
- Eradication of rodents, birds, insects.

Consultation with a responsible pest control company is an essential component of an effective pest control program.

Module 10. STEPS TOWARDS HACCP

Food safety needs to be a main concern of any company producing a food product. Food processors can begin to ensure a safe food supply through the adoption of *Good Manufacturing Practices*, including:

- premises
- equipment
- personnel
- manufacturing controls
- sanitation
- receiving and storage
- recalls
- records

Once a food manufacturer has a functioning and documented set of **Good Manufacturing Practices**, the next step towards food safety is developing and implementing a Hazard Analysis and Critical Control Points (HACCP) program.

◆ *Food Safety Enhancement Program*

In Canada, the Canadian Food Inspection Agency (CFIA) promotes HACCP through the Food Safety Enhancement Program. The program consists of two components, Prerequisite Programs and HACCP. The Prerequisite Programs are a compilation of the Good Manufacturing Practices and must be in place prior to starting HACCP development.

There are six Prerequisites:

1. Premises
2. Receiving and Storage
3. Equipment Maintenance and Performance
4. Personnel Training Program
5. Sanitation and Pest Control
6. Recalls

The 12 steps of HACCP including seven principles are:

Step 1		Assemble the HACCP team.
Step 2		Identify product characteristics.
Step 3		Construct a process flow diagram.
Step 4		Construct a plant schematic.
Step 5		On-site verification of process flow and plant schematic.
Step 6	Principle 1	Hazard Identification
Step 7	Principle 2	Identify critical control points
Step 8	Principle 3	Establish limits for critical control points
Step 9	Principle 4	Establish monitoring procedures for critical control points
Step 10	Principle 5	Establish corrective actions when critical control points exceed limits.
Step 11	Principle 6	Establish system verification procedures.
Step 12	Principle 7	Establish documentation procedures for record keeping.

◆ *Online Good Manufacturing Practices (GMP) Training (www.GMPSonline.ca)*

GMPs are the basic principles of operation a food processor should follow to produce a consistent, quality food product and are the basis of HACCP pre-requisite programs.

This online training has been set up for processors to train their employees on the importance of GMPs anytime and anywhere in the plant. Membership is an annual basis from the time you register and there is unlimited access to the training site until your membership expires.

There are 8 modules which range from 8-14 minutes in length. All training materials (training records, training presentations, quizzes and reference materials) required to complete each module is provided on this website. We suggest that employees are trained in all 8 GMP areas so they understand the importance of all the GMP areas. The content of the modules is general and therefore you may wish to stress important plant specific requirement to your employees.

◆ *Online HACCP & Food Safety Training (www.HACCPonline.ca)*

HACCP is a preventative control program for the food industry. HACCP incorporates safety into the food production process. Anticipating and preventing hazards during processing rather than relying on the final inspection and testing of the finished product help ensure food safety.

A HACCP program, through the use of documentation, will identify hazards at every processing step where loss of control could result in a food safety risk. By designing a HACCP plan unique to each product within the plant, the company is ensuring that it focuses on the critical control points (CCPs) needed to prevent problems before they occur in their specific facility. Although HACCP is not fail proof, when the CCPs are properly managed the company can offer its best assurance that the food produced is safe.

The Food Centre offers online food safety training through its HACCP & Food Safety Certificate Program. The online training format is flexible and convenient.

The HACCP & Food Safety Certificate Program is comprised of 19 modules separated into 3 stages. Choose to train all modules to obtain a certificate or individual stages for knowledge upgrade.

For **individuals**, the Food Centre's HACCP & Food Safety Certificate Program can be your first step to being part of a growing industry and will open doors to many opportunities in the food industry. It will position you to take on the role of HACCP Coordinator and can lay the foundation for those interested in becoming a Quality Assurance/Quality Control Technician or Manager.

For **food processors**, HACCP is globally recognized and lets your customers know that your produts are safe for consumption. Having a functional HACCP system can enhance the marketability of your products in the international marketplace. The online HACCP & Food Safety Certificate Program offers training to your employees to initiate and successfully manage your HACCP Food Safety system to consistently ensure product safety.

◆ *Vendor Recognition Program*

Vendor Recognition, a GMP-based food safety program for non-federally registered food processing facilities is available through the Food Centre. The program has been designed to assist small to medium processors in implementing vendor food safety programs that may assist in gaining recognition as a vendor for new market access to retailers, the food service industry and institutions. Once implemented, the program will be supported with auditing services that will be available for processors wishing to achieve vendor recognition certification from the Food Centre.

FUNDING may be available. For more information, contact Erin Hiebert at the Food Centre at (306) 933-7555 or email ehiebert@foodcentre.sk.ca

◆ *Classroom/Workshop Food Industry Training*

Many industry associations offer food industry training specific to the sector. Check out their websites on page 16 to 19 of this guide for current offerings. In addition, the Food Centre offers 3 Day HACCP training throughout the year as well as workshops that address current issues facing the food industry. Please check www.foodcentre.sk.ca under Food Industry Training/Workshop and Short Courses or email: training@foodcentre.sk.ca.

Packaging

Food packaging serves three main functions:

1. It protects the product from physical, chemical and microbiological invasion.
2. It provides a medium for presenting the required label information and other important information to the consumer.
3. It is one of the greatest influences on a consumer's decision to try the product.

There are many things to consider when determining the ideal food packaging for your product. The package must:

- reflect the quality of the product
- be tamper proof where necessary
- operate efficiently on the production equipment
- be an attractive and useful marketing tool

◆ *Materials*

There are many options for packaging materials. The choice of material is often determined by the mechanism of spoilage of the food product.

Glass: Often used for specialty products

Advantages:

- non-reactive with virtually all foods
- impervious to external contamination

- contents can be seen by customer
- many unique shapes and sizes
- re-usable and recyclable

Disadvantages:
- high cost per unit
- fragile
- heavy

Paper: Examples include bags and pouches, folding cartons, corrugated boxes

Advantages:
- is flexible and can be formed into different shapes
- light weight
- excellent surface for printing
- generally inexpensive

Disadvantages:
- not waterproof
- often used in conjunction with other packaging, coated with polymers or lined with foils
- limited structural integrity

Metals: Examples include steel and aluminum cans.

Advantages:
- excellent protection
- light weight
- inexpensive
- foods can be cooked inside sealed can
- convenient
- recyclable

Disadvantages:
- can interact with foods (may need to be coated)
- contents must be processed until sterile

Plastics:

Advantages:
- flexible - resistant to breakage
- light weight
- relatively inexpensive
- easy to re-seal and re-close
- come in many shapes and colours
- clear plastics allow customer to view product
- can selectively block chemical substances from entering or escaping package

Disadvantages
- can allow flavour transfer between food and package
- can bend, crush or crack
- some more complex laminates can be expensive
- pick up dust easily
- difficult to recycle

Laminates: Examples include Tetra-Brick™ boxes, potato chip bags, retort bags, oven able paperboard

Advantages:
- combines advantages of several materials into one.

Disadvantages:
- can be costly
- difficult to recycle

◆ *New Technology*

Like most industries, innovations in packaging technology are emerging everyday. Most new technologies are modifications on existing technologies and serve various functions. Some may be applicable to your product and add a competitive advantage, while others may not.

New technologies include:

- Modified Atmosphere Packaging (MAP) – involves the modification of the head space gas in a package in order to prolong the shelf life of the product it contains

- Intelligent Packaging – monitors the condition of packaged foods to give information about it's quality during transport and storage – functions include gas leak detection, time-temperature indicators, temperature fluctuations, microbial detection, quality control

- Active Packaging – changes the condition of the packaged food to extend shelf life or to improve food safety or sensory properties, while maintaining the quality of the food

- functions include absorption of oxygen, removal of flavour compounds, reduction in surface microorganisms

◆ *Packaging Design*

Have you ever purchased a product because it had a unique and eye-catching package? It is the package that influences a customer's decision to try a new product, while the quality of the product will determine repeat business. Good label and packaging design can sell a product!

The first and most important step to package design is to determine product requirements for:
- volume and weights of different sales amounts

- physical packaging attributes which help the customer in using the product (i.e. pourable, re-sealable, easy-open)
- protective needs, including shipping and handling factors
- appropriate shape of package for esthetic appear, efficient shipping and stocking
- legal requirements

Package design can be done by you, but it is recommended to hire a professional graphic designer. A lot of packaging companies have their own designers which can be a good option because they know the packaging industry and the requirements for food products. They can also be used when designing a food label. Whichever option you choose, it is important to give the designer specific directions as to the target market, package structure and desired image so it is easier for them to create what you are looking for.

For information on label design, see the Labelling section.

◆ *Eco Concerns*

Over-packaging has become a big issue with consumers and environmental groups. Although proper packaging is necessary, excessive and overabundant packaging takes up space in landfills and uses up valuable resources. When choosing packaging for your product, consider options that are smaller, thinner and use less material. Look for packaging that is recyclable, reusable, or uses recycled materials. By following these guidelines, you may also be able to cut down on packaging costs and improve sales due to increased consumer acceptance.

Labelling

A properly designed food label is an integral part of your food product and must work in conjunction with your packaging. The label is often the first contact your customers have with your product so it must project the intended message.

◆ *Label Regulations*

In Canada, there is basic mandatory information that must appear on all prepackaged food products that are distributed for sale at the retail level.

These include:

1. Common name of the product (i.e. Potato Chips)
2. Net quantity declaration (given by weight or volume)
3. Name and address of responsible party
4. List of ingredients (in declining order of amount)
5. Durable life date, storage instructions when required
6. Bilingual, unless specifically exempt
7. Nutritional information

The Canadian Food Inspection Agency administers the labelling legislation for food products produced domestically and those imported. The legislative information governing mandatory labelling requirements falls under the *Food and Drugs Act*, the *Consumer Packaging and Labeling Act* and other related legislation. Detailed information on labelling requirements can be found in the Canadian Food Inspection Agency's Guide to Food Labelling and Advertising.

100 – 350 Third Avenue N	www.inspection.gc.ca
Saskatoon, SK	Phone: (306) 975-8904
S7K 6G7	Fax: (306) 975-4339

If you are considering exporting your product to other countries, the labeling regulations will be different for each country.

◆ *Nutrition Labels*

Nutrition labelling is a standardized presentation of the nutrient content of a food that is not misleading or deceptive. It is legislated by Health Canada and enforced by the Canadian Food Inspection Agency (CFIA).

Nutrition labelling of a food product is mandatory in Canada. Please visit Health Canada's Label Website for the proposed regulations.

Bureau of Nutritional Sciences	www.hc-sc.gc.ca
Nutrition Evaluation Division	Phone: (613) 957-0352
Banting Building, A.L. 2203A	Fax: (613) 941-6636
Tunney's Pasture	
Ottawa, ON K1A 0L2	

The current nutrition labelling regulations can be found in the Canadian Food Inspection Agency's Guide to Food Labelling and Advertising.

100 – 350 Third Avenue N	www.inspection.gc.ca
Saskatoon, SK	Phone: (306) 975-8904
S7K 6G7	Fax: (306) 975-4339

Generating Nutritional Table

There are several labs that can perform a nutritional analysis of your product. For a list of labs, see Analytical Testing section of this guide.

The **Food Centre** can assist in generating a nutrition facts table for your product through its Genesis Software, approved by CFIA. For products that do not require physical analysis, use of the Genesis Software is more economical. For more information, contact Sara Lui at (306) 933-7555 or email slui@foodcentre.sk.ca.

Funding is available for new and existing products on a first-come first-service basis through the Saskatchewan Food Processors Association (SFPA).

Suite 107 – 105 North Road
Saskatoon, SK
S7N 4L5

www.sfpa.sk.ca
Phone: (306)-683-2412
Fax: (306) 683-2420

◆ *UPC Codes*

The Universal Product Code (UPC) is a 12-digit ID number that uniquely identifies a company and a product worldwide. The code helps producers and retailers keep track of inventories and computer pricing. Currently, UPC codes are voluntary on Canadian food labels but may be required for certain retailers.

The GS1 Canada maintains the UPC system in Canada.

Suite 800,
1500 Don Mills Road
Toronto, ON M3B 3L1

www.gs1ca.org
Email: info@gs1ca.org
Phone: 1-800-567-7084

◆ *Label Design*

The label is often the first contact a customer has with your product. Carefully consider the image you want your product to portray. Keep in mind that the label design must also complement the package design. Good label and package design can sell a product!

When designing a food label, there are several considerations to keep in mind:

- Who is my target market?
- What image do I want my product to portray (i.e. bold, elegant, practical, sophisticated, fun, etc.)?
- What are the most important features of my product that I want to portray?
- Where will my product be sold?
- How will my product stand out from the competition?
- What colours, symbols and shapes will best convey my intended message?
- What is my labeling budget?
- How will the label be applied?
- What labelling material is most suitable for the product environment (i.e. freezer proof, shipping proof, smudge proof, etc,)?

A good graphic designer can assist you in making your label stand out above the crowd. Contact several graphic designers and collect quotes, view past work and contact references. Before selecting a designer, make sure you know what you are getting into and that they can deliver the product you are after.

Check out competing products that are on the retail shelves. What on their packaging is unique and stands out? This might help you in designing your own label for your product.

Before finalizing your label design, it is a good idea to bring your label to the Food Centre for comments and to ensure your label meets all regulatory requirements. The staff can also help to set up a focus group of your target market for feedback that can provide ideas for product improvement that you may not have considered.

Marketing Your Product

Having your product succeed in the marketplace is critical to the success of any business. This section talks about how to reach your target market and how to promote your product in that market.

Distribution

You can market and merchandise your products through direct selling, wholesalers, retailers and brokers or agents. Carefully consider which distribution method is best suited for the market you are trying to reach.

◆ *Distribution Channels*

Distribution channels are the paths that goods follow from producer to consumer. Proper distribution channels can:

- Reduce the number of marketplace contacts to increase efficiencies
- Match requirement of individual consumers to the outputs of various producers
- Be standardized to improve the efficiency of the system
- Hold inventory to increase market response and lower transportation costs
- Provide physical distribution of products to ensure they are available for customers to purchase on demand

Direct Selling

Some producers sell their product directly to the consumer. Brochures/flyers, retail craft shows, trade shows and farmers markets are all examples of direct selling.

Indirect Selling

Some producers sell their product to an intermediary, who then sells the product to the consumer, such as selling the product to a retail store using a wholesaler/distributor or a broker/agent.

Wholesaler/Distributor

A wholesaler or distributor purchases products from producers and sells the goods to retail stores. Wholesalers or distributors usually represent complementary products and takes title of the goods. The producer must still convince each individual store to stock the product.

Broker/Agent

A broker or agent provides a sales force to sell goods for the producer. They do not take title of products. Brokers and agents are used mainly when the product falls into a mainstream category such as frozen food, dry grocery, deli or beverage.

When deciding which channel to use, the company should look at competitor practices and consumer needs. As well, producers do not always have a choice on distribution channels, as industry norms often determine which channels to use. For example, large retailers (grocery chains, department stores, and club chains) often purchase exclusively through wholesalers/distributors and agents/brokers.

For more information on food brokers, contact the Canadian Food Brokers Association.

58 Meadowbrook Lane, Ste. 100
Unionville, ON L3R 2N9

Email: contact@cfba.com
Phone: (905) 477-4644
Fax: (905) 477-9580

TYPES OF DISTRIBUTION CHANNELS

Producers have a number of distribution channel options, including:

Direct channel
The one-step channel
The agent channel
Traditional channel
Agent/wholesaler channel
All-aboard channel

(Source: Beckman, M. Dale; Kurtz, David; and Boon, Louis. *Foundations of Marketing*. Dryden Canada: Toronto, ON. 1992. pp. 338-391).

Direct Channel

Producer => End User

- Preferable when technical specifications or rigorous performance requirements apply.
- The volume of the product delivered to a customer must be of an economic delivery size so that freight is not a penalty, or of such value that transportation costs do not matter.

The One-step Channel

Producer => Retailer => End User (Consumer Markets)

- In consumer markets, the intermediary is usually a retailer.
- The producer or manufacturer negotiates directly with the buyer from the retail chain.

Producer => Wholesaler => Ender User (Hotels, Restaurants, and Institutions)

- The wholesaler takes title of the goods.
- The wholesaler's sales force is responsible for selling to the end user.
- The wholesaler can reach hundreds of hotels, restaurants and institution accounts more economically than the producer.

The Agent Channel (Hotels, Restaurants, and Institutions)

Producer => Agent/Broker => Industrial User

- The agent becomes the manufacturer's sales force, making the sale, but not taking title of the product.

Traditional Channel (Consumer Markets)

Producer => Wholesaler => Retailer => End

- Used by thousands of small processors who are producing limited lines of products and trying to sell to small retailers.

Agent/Wholesaler Channel

Producer => Agent/Broker => Wholesaler => End User (Hotels, Restaurants, and Institutions)

- Used when attempting to market a product into a new market area.
- An agent/broker familiar in the new market is used.

All-Aboard Channel

Producer => Agent/Broker => Wholesaler => Retailer => End User

- Used when products are produced by a large number of small companies who then use a broker to bring buyer and seller together.
- The broker is an independent sales force used in contacting large, scattered wholesalers.
- Used when a product can deteriorate and a buyer must be quickly found.

DECIDING ON A DISTRIBUTION CHANNEL

There are a number of questions to answer when deciding on a distribution channel. Producers should consider:

- Market factors
- Product factors
- The producer
- Competitive factors

Market Factors

Short channels of distribution tend to be used if:

- Potential customers are geographically concentrated in a specific region
- There is a small number of buyers
- Orders are relatively few in number but large in size
- Specialized knowledge, technical know-how, and regular service are required by the customer

Product Factors

Short channels of distribution tend to be used if:

- The product is perishable
- Products are highly technical

- Products have a high per unit value

Generally, the lower the per unit value of the product, the longer the channel is.

The Producer

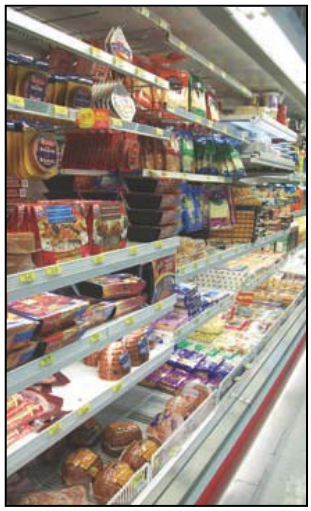
Short channels of distribution are more likely if the producer:

- Has adequate resources so that it can hire its own sales force rather than relying on the sales force of the wholesaler
- Has a broad product line making it feasible to cover the selling costs over a large volume

Competitive Factors

Short channels of distribution are more likely if the manufacturer feels that independent intermediaries are not adequately promoting the product.

◆ *Listing*



Placing your product on a wholesaler/retailer's product list is an important move for a manufacturer. Many wholesaler/retailers purchase only the products that appear on their list.

With all the products on the market, obtaining a listing means that someone else's product will have to be bumped. Therefore, it is that much more difficult to convince the wholesaler/retailer that a company's product is different and better than the other products on the market.

A manufacturer must convince the retailer/distributor of the product's uniqueness through careful, deliberate consideration and detailed explanation of the following:

- The product itself
- Its planned positioning in the marketplace
- The size and growth pattern of the market or category
- Its recommended shelf placement for retail and type of operation (for example: fast food or hospital)
- Its recommended selling price
- Its packaging
- The amount of cooperative advertising and incentive plans including introductory allowances, payment terms and volume allowance programs needed to gain listings
- The type and amount of consumer and trade advertising; and
- The type and amount of consumer promotion

◆ *Selling Skills*

Whether selling directly to the end user (direct selling) or selling to a wholesaler/distributor, broker/agent or retail store (indirect selling), the processor must utilize selling skills.

Selling involves four steps:

1. **Preliminaries:** Research prospective buyers. Remember, the more information the better prepared you are.

2. **Investigating:** Determine the implied needs of the customers and turn these into explicit needs.

   Implied needs are statements by the customer of problems, difficulties and dissatisfactions. Explicit needs specify customer statements of wants or desires.

3. **Demonstrating capability:** Outlines the products' features, advantages and benefits.

   Features describe facts, data and product characteristics, while advantages show how products, services or their features can be used or can help the customer.

   Benefits show how products or services meet explicit needs expressed by the customer.

4. **Obtaining commitment:** Develop the relationship, ensure key concerns are covered, summarize key points of discussion, propose a commitment and follow-up.

(Source: Rackman, Neil. Spin Selling. McGraw-Hill Book Company: Toronto, ON. 1988. p.154)

◆ *Transportation*

Transportation is often overlooked when determining the market and price of a product and must be carefully considered by all small companies to establish the feasibility of a product.

The market is the most important consideration when selecting a method of transportation. For example, if you are direct selling to several retail locations throughout Western Canada, your best choice may be to use a courier to ship small quantities to each location and the costs will be higher. If you are selling your product to a wholesale company with only a few locations, transporting larger quantities by truck will reduce costs. Also, if your product is perishable or frozen, shipping by truck is likely your only option. Rail is often used for raw goods and airfreight for overseas shipping, but these methods are usually not feasible for small companies.

Without carefully considering transportation costs, the profit made on a product can be significantly reduced and the product may no longer be viable for that market.

Shipping costs can fluctuate greatly due to location, time of year (i.e. heating in winter), fuel surcharges, etc. Therefore, a buffer must be worked into the price to compensate for fluctuations so you don't lose money and have to increase the price later.

When selecting a transportation company, make sure you investigate all options. Check to ensure a carrier can service your entire market or you may have to use different carriers for different markets. Check the company's reputation, quality of service and delivery time track record. If you can, try to establish a relationship with one company so you can negotiate better rates in the future.

Most customers require product in a very short period of time. It is up to you to ensure product is available to meet the customers' requirements and keep transportation times to a minimum. Be prepared or you may lose contracts.

Promotion

Product promotion is the most important step for creating success for a finished product. A message must be developed and delivered to communicate the benefits of your product to the target market. A well thought out message will create interest and ideally alter the buying patterns of your potential consumer. Consumer behavior will only be changed to your benefit if this message is communicated effectively.

◆ *Strategy*

TYPES OF PROMOTION

Promotion includes all activities designed to inform, persuade and influence people when they are making the decision to buy.

Promotion is made up of:

- Advertising – the non-personal communication transmitted through the mass media
- Publicity – free promotion through news stores in newsletters, newspapers, magazines, and television
- Sales Promotion – all forms of communication not found in advertising and personal selling including direct mail, coupons, volume discounts, demonstrations, exhibits, samples and point-of-purchase displays

OBJECTIVES

The promotion objectives need to be clearly stated and measurable. Objectives will vary for different products and different situations. For example, producers must promote differently to brokers than to wholesalers. When promoting to a broker, the producer must promote what they want the broker to present to the wholesaler. When promoting to a wholesaler the producer simply wants the wholesaler to purchase the product.

There are five general objectives for promotional activity:

1. To provide information
2. To increase demand
3. To differentiate the product
4. To accentuate the value of the product
5. To stabilize sales

(Source: Beckman, M. Dale; Kurtz, David L.; and Boone, Louis E. Foundations of Marketing. Fifth Canadian Edition. Dryden Canada: Toronto, ON. 1992. p.480)

STRATEGY

Once the producer has reviewed all the possible promotional tools, he/she must devise a promotional strategy.

A promotional strategy should address the following issues:

- What is the goal of the promotion?
- What types of promotion should be used?
- What affect should the promotion have on the customer?
- Which promotion is working?
- Which promotion is not working?
- What are the costs of the promotion compared to the benefits?

◆*Advertising Options*

Advertising can be an effective method to communicate your message to your target market. The nature of your product and its target market will influence the decision of what "vehicle" should be used to deliver the message to your customers. The advantages and disadvantages of each option must be evaluated to determine the best fit.

Some of the most commonly used mediums include:

	Advantages	Disadvantages
Newspapers	- flexibility - community prestige - Intense coverage	- short life span - hasty reading - poor reproduction
Magazines	- selectivity - quality reproduction - long life	- lack of flexibility
Television	- impact - mass coverage - repetition	- temporary nature of message - high cost - high mortality rate for commercials

Radio	- immediacy - low cost - practical audience selection - mobility	- fragmentation - temporary nature of message
Outdoor Advertising	- quick communication of simple ideas - repetition - ability to promote products - available for sale nearby	- brevity of message - public concern over esthetics
Direct Mail	- selectivity and speed - intense coverage - complete information - personalization	- high cost per person - dependency on quality quality of mailing list - consumer resistance

Another effective advertising medium is **Point of Purchase** (POP) advertising. As 60 – 80% of consumers' purchasing decisions are made in the store, POP advertising can influence the customer at the exact point when they are evaluating a number of options. The display can be tailor-made for each market or store, but the seller/distributor usually has to install the materials and the costs can be high.

Examples of Point of Purchase media include:

- In-store ads
- In-store promotional events
- In-store coupon dispensers
- Shelf talkers and bin tags
- Shopping cart ads
- Off aisle product displays

◆ *Internet*

The internet has many uses. Internet access brings a wealth of information on almost any topic right to your fingertips. An e-mail address allows you to communicate inexpensively with customers and suppliers.

Creating a web site for your company is an excellent way to promote your products and services. By creating an interactive web site, it is possible to take orders and process payments on-line (e-commerce).
Other benefits include:

- Improved product awareness
- Improved order response time
- Improved customer service
- High speed of communication
- A mobile workplace
- Ability to promote globally

For more information on using the internet, creating a web site and e-commerce, see the Canada Business Service Centre's site at www.canadabusiness.ca.

◆ *Trade Shows*

Budgeting for a trade show, and including this venue in the overall marketing plan is a highly focused way to:

- Establish a presence in the market place;
- Gain an overview of the industry at present; and
- Obtain a list of serious buyers more quickly than would be possible with a traditional sales approach.

Although trade shows are relatively expensive, they are widely used in the food industry. Particularly, they offer the potential for a high return in sales and contacts if planned properly and presented well. Several months to a year may be required to obtain a well located booth and prepare the appropriate materials and displays.

CHOOSING THE SHOW

The Saskatchewan Food Processors Association (SFPA) has current information on food trade shows in Canada and in export markets. They will be able to help processors evaluate each show based on product type, market pursued, and budget. A "Saskatchewan Made" food pavilion is present at the most influential shows.

107 – 105 North Road
Saskatoon, SK
S7N 4L5

www.sfpa.sk.ca
Phone: (306) 683-2411
Fax: (306) 683-2420

PREPARATION

Some tips for preparing for an upcoming trade show include:

1. Pre-show marketing will increase the value gained from a trade show. The following methods can be used to contact potential business leads before the trade show:
   - Phone, fax, direct mail
   - Pre-show promotions (discounts for visiting the booth)
   - Show directory ads
   - Web page (supplying show information or coupons)

2. Set clearly defined goals for the show. This will help in the development of the presentation strategy and display.

3. Set a budget allowing for enough personnel, accommodations, product and travel.

4. If you can, choose professional design and marketing consultants to help prepare the materials for the booth. Effective material can also be prepared by the company, just remember who the target audience is and what image you wish to project.

   Materials may include:

- A high impact display to attract the audience
- Professionally prepared information handouts
- Product samples

5. Prepare the sales presentation. Exhibit selling must be polished, brief and convey the most important information. Steps for a brief and successful sales strategy:
   - **Intro** – ask the first question; make it open ended and not sales oriented
   - **Qualification** – get person's name, position, company, needs, and time frame
   - **Presentation** – uncover specific needs and present products to meet them
   - **Closing** – record information, tell them what to expect, and move on to the next prospect
   - **Follow-up** – within 10 days

6. Prepare a system for recording leads. Several options include:
   - Lead sheets for sales staff
   - A business card exchange system
   - Sign up sheet for more information
   - A guest book

THE SHOW
It is important that the customer relates the product to their situation. Sales staff should encourage customers to handle the product and talk about their situation so that the most relevant points about the product can be presented. Encourage customers to take information and samples; just because the materials are there does not mean they will be picked up.

FOLLOW-UP
Be sure to have a plan for follow up prepared before the trade show, with deadlines for re-contacting interested parties. Follow up should be immediate, and it is best to let customers know in advance when they can expect to be contacted and how.

EVALUATION
Determine the actual benefit of the trade show. Were objectives met given the outlined budget? Should the show be revisited? If so, how can your company's performance be improved?

◆*Media Relations*

Publicity provides free advertising for the producer through news stories in newsletters, newspapers, magazines and television. Publicity can be attained by sending a media release to the various radio, television, newspaper and magazine offices. A media release is a one page letter identifying a newsworthy event and outlining the who, what, when, where and why of the story. A media release is appropriate to announce the startup of a new business, introduction of a new product or any other success story related to the company.

The media will publish or announce the story as a news item and consequently there is no expense for the processor. Publicity is one of the most effective and least costly means of advertising.

◆ *In-store Demo*

Demonstrations, sometimes referred to as product samplings, are an effective and inexpensive means to promote a new or existing product.

There are three types of in-store demonstrations:

- Live Demonstrations
- Mobile Demonstrations
- Static Display

Live Demonstrations: Include a staffed area with activity such as sample preparation. Live demonstrations work best with a new product that requires information or answers for questions, or for a product that requires special preparation. With a live demonstration, you can encourage the customer to purchase the product. However, a great deal of time is required for the demonstration and, therefore, costs can be high.

Mobile Demonstrations: A form of live demonstration where a demonstrator walks throughout the store offering samples. The demonstrator usually has a base operation near the product sales display. Not all stores allow for this type of demonstration.

Static Display: Includes an area displaying the product and offering unattended samples. Static displays are very cost effective. However, there is no control on how much sample is used or on the purchasing decision. This type of demonstration requires consumer familiarity with the product.

For more information on product demonstrations and specific programs offered, contact the Saskatchewan Food Processors Association.

107 – 105 North Road
Saskatoon, SK
S7N 4L5

www.sfpa.sk.ca
Phone: (306) 683-2410
Fax: (306) 683-2420

Product Pricing

The importance of pricing cannot be underestimated. Incorrect pricing can often result in failure of a business. New businesses often make the mistake of either charging too little or too much for their product or service.

The objective is to maximize profits while remaining competitive in the market place. Pricing can be based on the cost price or the market price (what the market will pay).

Regardless of the pricing method used, it is critical to know all of the costs involved in delivering your product or service to avoid potential under pricing and operating losses. If the market will not support a price level sufficient to cover your costs, you need to investigate whether your costs can be lowered. If this is not feasible, it may be necessary to abandon your plans to proceed.

Issues to consider are:

- What control do you have over the product price? (exclusive product, no competition, high market demand, etc.)
- What are competitors' prices and how do they price their products?
- What price and sales volume are needed to achieve profit objectives?
- Can you sell your product at different prices into different markets?
- Can you maintain your prices over time and what do you expect to happen to competitors' prices?
- Are your prices quantity-sensitive?

SETTING PRICES

Prices for products can be set by:

- Pricing to market
- Pricing to your costs
- Rule-of-thumb pricing

Effective pricing depends on the goals of the company: Do you want to maximize profits or are you aiming for high growth in sales?

Pricing to market: Compare prices with your competitors for similar products and services. The price is set within a range that customers have grown to expect.

Cost approach to pricing: Price must cover all the costs of goods/services sold including production costs of supplies, materials, fixed overhead, and time/labour plus a profit.

Use this simple formula in setting a price (per unit): Total costs of Production Per Unit + Desired Dollar Profit Per Unit.

Rule-of- thumb in setting prices: Some types of businesses charge prices according to certain rules-of-thumb. For example: price is always twice labour plus materials or twice materials plus labour depending on which is higher.

A business must also make an early choice about how to position itself in the market – the good-value, low-end of the market, or the quality-conscious, upscale market. Your target customer will guide you in making this decision.

International

The emergence of a truly global economy means that the world marketplace is now open for business all day, every day. It is a marketplace unencumbered by distance, unrestricted by technology and unmindful of country of origin. Although exporting can bring significant benefits, it can also place demands on companies, especially smaller ones that they may or may not be prepared to meet.

Exporting can mean new business opportunities, increased sales, higher profits, less dependence on traditional markets, diversified markets, new knowledge, experience and enhanced domestic competitiveness and global competitiveness. However, companies will also face numerous challenges such as increased costs, level of commitment, sensitivity to cultural differences, paperwork, accessibility and competition.

While exporting holds significant economic promise for many companies, it takes time, often months and even several years, before an exporting company begins to see a return on its investment.

Are you considering exporting? What does it mean to be export-ready? Check out Step-By-Step Guide to Exporting. (www.exportsource.gc.ca) on the Team Canada Inc. web site for information on:

- Is exporting right for you?
- Creating your export plan
- Researching and selecting your target market
- Marketing your product or service
- Entering your target market
- Getting your product or service to market
- Financing your export venture
- Reading the fine print: The legalities of trade
- The trial run

Saskatchewan Ministry of Agriculture www.agriculture.gov.sk.ca
3085 Albert Street
Regina, SK S4S 0B1
Phone: 1-866-457-2377

Saskatchewan Trade and Export Partnership www.sasktrade.com
P.O. Box 1787
320-1801 Hamilton St.
Regina, SK S4P 3C6
phone: (306) 787-9210 Fax: 306-787-6666
Toll Free: 1-877-313-7244
400 - 402 21st Street East
Saskatoon, SK S7K 0C3

phone: (306) 933-6551
fax: (306) 933-6556

Food Beverage Canada www.foodbeveragecanada.com
#201, 17904 - 105 Avenue
Edmonton, AB T5S 2H5
phone: (780) 486-9679 Fax: (780) 484-0985
Toll Free: 1-800-493-9767

Helpful Food Industry Website Links

ORGANIZATION	WEBSITE ADDRESS
Agriculture and Agri-Food Canada	www.agr.gc.ca
American Meat Institute	www.meatami.com
Bakery Online	www.bakeryonline.com
Beverage Online	www.beverageonline.com
Beverage World	www.beverageworld.com
Canadian Dairy Information Centre	www.dairyinfo.gc.ca
Canadian Federation of Independent Grocers	www.cfig.ca
Canadian Food Inspection Agency	www.inspection.gc.ca
Canadian Grocer	www.bizlink.com/cangrocer.htm
Canadian Meat Business	www.meatbusiness.ca
Canadian Ostrich Association	www.ostrich.ca
Dairy Network	www.dairynetwork.com
Food Beverage Canada	www.foodbeveragecanada.com
Food In Canada	www.canadianmanufacturing.com/foodincanada
Food Ingredients Online	www.foodingredientsonline.com
Food Institute	www.foodinstitute.com
Food Marketing Institute	www.fmi.org
Food Online	www.foodonline.com
Food Processing	www.foodprocessing.com
Food Processing Suppliers Association	www.fpsa.org
Food Products Online	www.foodindustry.com
FOODTECH Canada	www.foodtechcanada.ca
Frozen Food Age	www.frozenfoodage.com
Gourmet Retailer	www.gourmetretailer.com
Health Canada	www.hc-sc.gc.ca
Industry Canada	www.ic.gc.ca
Institute of Food Technologists	www.ift.org
Meat and Poultry Online	www.meatandpoultryonline.com
MEATing Place	www.meatingplace.com
Nutraceutical Research	http://ctnr.newcenturyhealthpublishers.com
Packaging Network	www.packagingnetwork.com
POS Pilot Plant	www.pos.ca
Prepared Foods	www.preparedfoods.com
Saskatchewan Bison Association	www.saskbison.com
Saskatchewan Canola Development Commission	www.saskcanola.com
Saskatchewan Elk Breeders Association	www.elkbreeders.com
Saskatchewan Food Processors Association	www.sfpa.sk.ca
Saskatchewan Fruit Growers Association	www.saskfruit.com
Saskatchewan Herb & Spice Association	www.saskherbspice.org
Saskatchewan Meat Processors Association	www.smpa.ca

Saskatchewan Made Marketplace	www.saskmade.ca
Saskatchewan Pork Development Board	www.saskpork.com
Saskatchewan Trade & Export Partnership	www.sasktrade.sk.ca
Saskatchewan Turkey Producers Marketing Board	www.agr.gov.sk.ca/agrifood/boards/SKTurkeys.htm
Saskatoon Farmers' Market	www.saskatoonfarmersmarket.com
World Wide Food	www.worldwidefood.com
BUSINESS LINKS	
Agriculture Council of Saskatchewan	www.agcouncil.ca
Canada-Saskatchewan Business Service Centre	www.canadabusiness.ca
Department of Food and Bioproduct Sciences, U of S	www.agbio.usask.ca
Enterprise Saskatchewan	www.enterprisesaskatchewan.ca
Food Beverage Canada	www.foodbeveragecanada.com
Food Industry Training Centre	www.foodindustrytraining.ca
GS1 (e-commerce, bar codes)	www.gs1ca.org
National Research Council Canada (IRAP)	www.nrc-cnrc.gc.ca
Saskatchewan Economic Development Association	www.seda.sk.ca
Saskatchewan Health	www.health.gov.sk.ca
Saskatchewan Ministry of Agriculture	www.agriculture.gov.sk.ca
Saskatchewan Public Health Inspection Offices	www.health.gov.sk.ca/public-health-inspections