



Economic Profile & Opportunity Analysis

As at September 25, 2002

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Foreword:

The purpose of this study is as follows: “To update the existing resources, as well as further developable resources, introduce and collect data from stakeholders regarding further developable resources, and complete a SWOT analysis on the further developable resources”

To that end, the study contains two sections. The first deals with background information about the Newsask region. It is intended for information, and for use, primarily by those who are external to the Newsask area. This section contains key population data that has been updated from prior studies and verified through several sources.

The second section of this report is intended for information, and for use, moreso on an internal basis – by economic development groups, communities, business persons and prospective business owners.

This second section contains two key elements – an analysis of economic impact of various undertakings, as well as definition of key steps which, if executed by either an economic development group or a business, have the potential to enhance or speed up the development process.

INTRODUCTION

- **The Community Futures Program**

Established as one of several programs resulting from the 1985 Canadian Jobs Strategy, the “Community Futures” program has expanded its mandate, its effectiveness and its scope in the ensuing years.

The Community Futures Program was originally designed to encourage investment in new and existing business opportunities, and in the process, create sustainable, long-term employment opportunities.

Although the specific operating mode of each Community Futures organization is established within the individual regions, overall, the one area of emphasis has been assisting in the process of local and regional economic development. Thus, partnering has been a traditional focus of attention for Community Futures organizations. The second area of focus of the program has been its lending portfolio, where the criteria point toward lending funds to regional business operations that have the capacity to create employment and economic impact within the region, while having the capacity to operate on a profitable basis.

- **Newsask Community Futures Development Corporation**

Newsask Community Futures represents the northeast portion of Saskatchewan, an area that includes approximately 50,000 people. Within the boundaries are:

- 1 City
- 12 Towns
- 25 Villages
- 17 Hamlets
- 19 Rural Municipalities
- 6 First Nations Communities

Key industries in the region, as at today, include:

- Agriculture
- Agricultural processing
- Tourism
- Manufacturing
- Services for manufacturing, processing and primary industries
- Forestry

The challenges and opportunities for the Newsask region are many and varied, just as they are for virtually every area of Saskatchewan, and for virtually every rural area in North America. Some of the key features of the Newsask area, however, do lead to a greater range of options than would be the case in some other regions of Saskatchewan. The deliberate attempt to ensure Board of Director level representation from each area of the large geographic area represented by Newsask has been extremely beneficial in identifying opportunities from the entire region, and in being in a position to work effectively with community economic development interests.

• **Study Purpose and Process**

The specific purposes for conducting this study are as follows:

- To update elements of the existing profile which was completed in 1989, with the intent of:
 - Providing information, with a focus on opportunities within the area,
 - Producing a report and strategically oriented plan that can be used by communities and area groups within the Newsask region.
- Another way of phrasing the study purpose, as supplied by the Newsask Board of Directors is:
 - *“To update the existing resources, as well as further developable resources, introduce and collect data from stakeholders re: further developable resources, complete a SWOT analysis on the further developable resources.” - Source: Newsask Board of Directors project description*

In the execution of this project, the consulting group, Percy Communications Inc. utilized a variety of sources including:

- The 1989 *Newsask Regional Profile and Strategic Plan*
- The November 1 2001 document prepared for Newsask, *“Community Economic Development: Issues, Opportunities, Challenges and Strategy Recommendations”*
- Interviews with Newsask Community Futures staff
- Interviews with economic development officers in towns and cities in the Newsask region
- Interviews with the CEO’s of manufacturing companies in the Newsask region
- A range of sources internal to the Newsask region
- A number of external industry and economic development agencies
- Data from sources such as Statistics Canada

The Consulting Group wishes to acknowledge, in particular, the Newsask staff and Board of Directors for the information, advice and direction provided to ensure the enclosed study provides maximum information and executable strategies for the region.

2. THE NEWSASK REGION

- **Economic History of the Area**

Historically occupied by various bands of the Salteaux and Cree Nations, the Newsask area was subsequently visited in 1691 by Henry Kelsey on behalf of the Hudson Bay Company. Kelsey's foray into the region was the first encounter by Europeans with inland western Canada.

As a result of this exploration by Kelsey and later, in the 1700's, by La Verendrye and Samuel Hearne, the area became well known as important to the fur trade. A number of posts were established by the European immigrants to further the fur trading activities of the region. This represented one of the early attempts to further economic development in the area.

A brief period of steamboat transportation through the region was followed by prospects of a rail line passing through the area, encouraging greater European migration from other parts of the province.

In 1876, the signing of Treaty 4 at Fort Qu'Appelle and Treaty 5 at Fort Carlton, between Canada and the Indian nation, resulted in the creation of six Indian First Nations within the Newsask area.

The early 1900's saw further development of the agricultural economy with additional railway development and the allocation of land tracts to returning war veterans.

The same era also witnessed the development of the forestry industry in the region, with logging and sawmill operations starting up, followed by a range of other forestry operations. These were located primarily toward the northern and eastern edges of the Newsask region.

From the 1950's on, the Newsask region saw the addition of a wide range of education, health and recreational services.

• **Land, Water, Vegetation and Climate**

The topography, water resources, drainage patterns, natural vegetation and climate of the Newsask region have a decided impact on the potential for economic development in the region.

With a “lay of the land” that flows from southwest to northeast, the Newsask area is defined by the alignment of the Saskatchewan River, the Carrot River and the Red Deer River.

The region is, to some degree, divided into two parts – agricultural land on the west side, and forest on the east. The majority of residents of the Newsask region live in the eastern half.

The Newsask area contains farming areas that have historically been conducive to crop production, as well as forest areas.

Much of the forest area of the area falls within the boreal forest zone, while the southwest portion is defined as aspen grove or parkland forest regions.

Class 1 Soils, the most fertile classification in the province, are grouped within the southeast, south central and north central portions of the Newsask region.

They are located within the following Rural Municipalities:

- R.M. of Spalding
- R.M. of Pleasantdale
- R.M. of Lake Lenore
- R.M. of Kinistino
- R.M. of Flett
- R.M. of Star City
- R.M. of Nipawin

Naturally, with a relatively high proportion of Class 1 soils, relative to the remainder of the province, agricultural production has historically dominated the area’s economic activity. Furthermore, the Newsask region has also tended to be a leading area of Saskatchewan in diversifying into a wide range of crops.

A shortage of precipitation in the past decade has placed the crop production industry in the area under a substantial degree of economic duress, as has been the case throughout the province and throughout the prairies.

A shortage of precipitation, however, is a relative term. It is important to understand that, while rainfall and snowfall have declined over the past decade, the Newsask area receives more precipitation than the province overall. Historically, the region has received 40 cm. to 45 cm. of precipitation per year. The fact that the area tends to be somewhat cooler and wetter than many parts of Saskatchewan adds to the agricultural value of the region.

3. POPULATION PROFILE

- **Population Trends**

Population Significance:

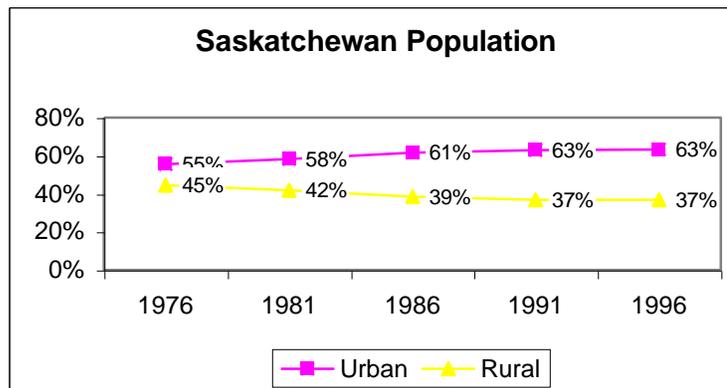
The issue of population is a critical matter in Saskatchewan, and particularly in rural Saskatchewan. The “rural to urban” shift, while not solely a provincial phenomenon by any means, is of grave concern to communities throughout the province.

The depopulation of the rural areas has many ramifications. A reduced population translates into a loss of tax base, and spending power. Just as importantly, it means a shortage of labour that is beginning to emerge, and could be of greatest consequence in rural Saskatchewan.

If there is one piece of good news for the Newsask region, regarding population trends, it is this. The population of the region has stabilized!

After a downward trend throughout the 1960’s, 1970’s and 1980’s, the population count has hovered around the 50,000 mark for the past decade. In fact, after a brief dip in the mid-1990’s, the population of the area actually climbed back to the level of a decade prior.

The significance of this trend cannot be overstated. Throughout North America, the clear and persistent pattern is from “the country to the city”. The Newsask region, however, has held its own. As will be examined later in this study, there are many reasons for this significant achievement. Below, however, is the “Saskatchewan Experience”, against which the Newsask area is attempting to “buck the trend”.



Population Methodology:

Two sources of population information are available. The Canadian Census is undertaken each five years. The second is the population count undertaken by the provincial Health Department.

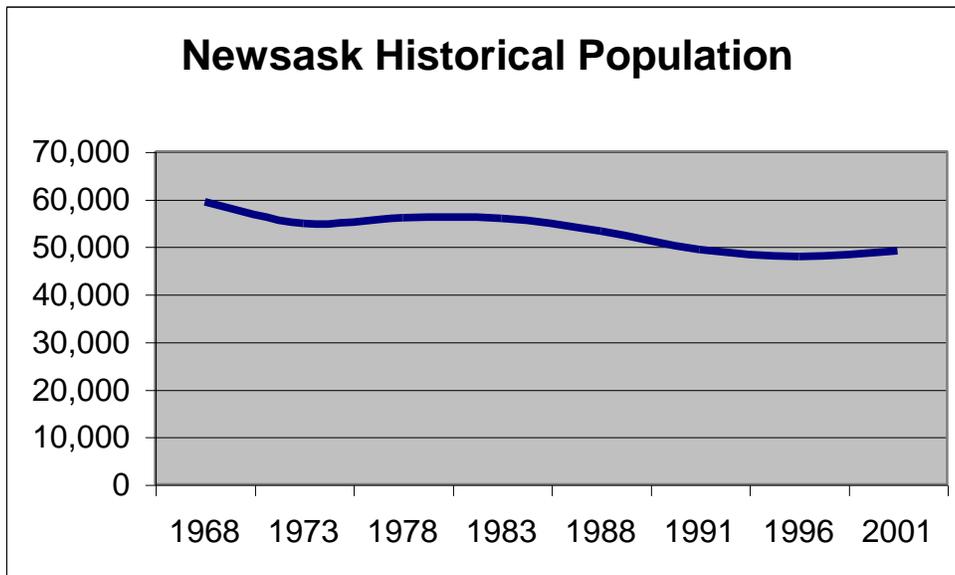
This document relies primarily on the Saskatchewan Health population figures for the following reasons:

- The annual update to the Sask Health count enables more consistent and ongoing measurement.
- The Census data is typically revised at some point in the following year, after the Census date. This is done to accommodate errors, omissions or changes. It is common that the figures for many communities are adjusted upward.
- The data gathered through the Census, for the First Nations communities, is commonly acknowledged as flawed. For example, the number of First Nations people in the area, according to the 2001 Census declined by almost 50% compared to the Sask Health data generated at approximately the same time, and significantly lower than the annually updated Sask Health numbers. Given the increasing numbers of First Nations people in the Newsask Region, the provincial Health Department's numbers provide a more reliable information source.
- There have been a number of adjustments to the manner in which data has been gathered for the Census and for Sask Health. For example, hamlets are no longer reported separately, but are included in the next largest jurisdiction. Again, the relative consistency of Sask Health methodology makes it the more reliable source of information.
- While the timing of the population counts may be divergent, over time the two methodologies have tended toward convergence, as shown on the following page:

Population Trends for the Newsask Region:

The trend over the past thirty-four years has been a population decline during the first part of this time frame, followed by the most recent decade in which the population of the area fell slightly and then recovered. The “story” of the past decade has been population stability. This is further evidenced by what is effectively “no change” from 2000 to 2001.

Year	Population
1968	59,390
1973	54,885
1978	56,130
1983	55,983
1988	53,250
1991	49,454
1996	47,968
2001	48,862



* Source: Saskatchewan Health

Population Locations:

The fact that the population of the Newsask region has stabilized in the past decade should not be construed as meaning that residents continue to live in the same community, or even the same type of community.

As seen below and on the following page, there has been a shift in “where they live”.

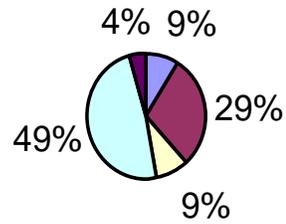
Within the confines of a relatively stable population base, this is most accentuated, as a percentage of the total number of residents, by:

- The shift from the Rural Municipalities to the towns and cities
- The growth of the First Nations communities

	City	Town	Vlg/Hmlt	R.M.	1st Nations
1973	4,941	15,944	5,051	26,595	2,425
1991	5,628	15,481	6,026	20,091	1,989
2001	5,970	17,667	6,357	14,797	4,071

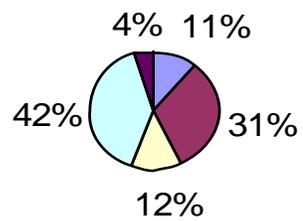
* The above data is shown graphically on the following page.

Where They Lived 1973



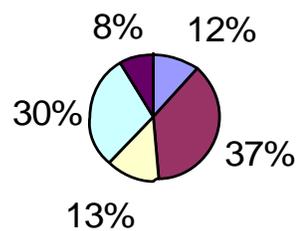
City Town Vlg/Hmlt R.M. 1st Nations

Where They Lived 1991



City Town Vlg/Hmlt R.M. 1st Nations

Where They Lived 2001



City Town Vlg/Hmlt R.M. 1st Nations

Recent Population Statistics:

	1991	1996	2000	2001
	Population	Population	Population	Population
Cities				
Melfort	5,628	5,759	6,024	5,970
<i>Total</i>	5,628	5,759	6,024	5,970
Towns				
Arborfield	433	437	452	453
Carrot River	1,027	1,032	1,256	1,262
Choiceland	434	417	469	477
Hudson Bay	1,868	1,883	2,168	2,260
Kelvington	1,109	1,046	1,089	1,086
Kinistino	701	691	720	733
Naicam	726	789	889	875
Nipawin	4,419	4,318	5,048	5,024
Porcupine Plain	803	866	965	988
Rose Valley	409	406	444	452
Star City	507	492	519	551
Tisdale	3,045	2,966	3,512	3,506
<i>Total</i>	15,481	15,343	17,531	17,667
Villages				
Annaheim	185	214	279	280
Archerwill	272	254	322	321
Aylsham	104	91	119	119
Beatty	112	87	96	93
Bjorkdale	251	262	290	292
Carragana	47	39	58	54
Codette	293	278	337	339
Cumberland House	738	836	1,103	1,214
Englefeld	219	223	285	300
Fosston	87	85	91	83
Lake Lenore	336	290	365	378
Love	94	83	89	97
Mistatim	114	114	150	145
Pleasantdale	105	113	84	80
Ridgedale	122	104	108	103
Smeaton	228	192	189	186
Spalding	287	281	311	330
St. Brieux	400	507	558	556
St. Gregor	136	128	160	166
Tobin Lake	23	26		
Valparaiso	30	18	13	13
Weekes	104	84	100	105
Weldon	243	225	262	263
White Fox	442	402	523	540
Zenon Park	254	259	298	300
<i>Total</i>	5,226	5,195	6,190	6,357

Hamlets

Barrier Ford	10	4	Included	Included
Chelan	62	57	in other	in other
Crooked River	88	78	areas	areas
Eldersely	36	23		
Erwood	85	72		
Fairy Glen	36	32		
Garrick	43	30		
Gronlid	93	104		
Hendon	33	30		
Lac Vert	66	54		
Meskanaw	15	15		
Nut Mountain	29	14		
Pathlow	41	38		
Prairie River	37	26		
Snowden	35	36		
Sylvania	74	67		
Usherville	17	15		
<i>Total</i>	<i>800</i>	<i>695</i>		

Rural Municipalities

R.M. of Kelvington #366	759	668	531	519
R.M. of Ponass Lake #367	854	767	621	610
R.M. of Spalding #368	768	681	524	514
R.M. of Hudson Bay #394	1,746	1,577	1,190	1156
R.M. of Porcupine #395	1,321	1,150	1,035	1004
R.M. of Barrier Valley #397	702	615	491	485
R.M. of Pleasantdale #398	781	709	592	578
R.M. of Lake Lenore #399	579	555	477	483
R.M. of Bjorkdale #426	1,253	1,111	884	882
R.M. of Tisdale #427	1,163	1,137	998	964
R.M. of Star City #428	1,081	1,052	880	849
R.M. of Flett's Springs #429	899	822	718	707
R.M. of Arborfield #456	548	498	430	420
R.M. of Connaught #457	865	815	668	661
R.M. of Willow Creek #458	1,002	918	784	782
R.M. of Kinistino #459	954	866	713	698
R.M. of Moose Range #486	1,408	1,300	1,072	1049
R.M. of Nipawin #487	1,389	1,269	1,000	976
R.M. of Torch River #488	2,019	1,827	1,526	1460
<i>Total</i>	<i>20,091</i>	<i>18,337</i>	<i>15,134</i>	<i>14,797</i>

First Nations Communities				
Cumberland	143	376	474	498
James Smith	395	635	1,272	1316
Kinistin	186	238	291	271
Red Earth	430	236	878	892
Shoal Lake	352	330	466	506
Yellowquill	483	429	579	588
<i>Total</i>	<i>1,989</i>	<i>2,244</i>	<i>3,960</i>	<i>4,071</i>
Total Population	49,454	47,968	48,839	48,862
	1991	1996	2000	2001

Source: Saskatchewan Health

- **Age Distribution**

The age distribution of any region has serious implications, both negative and positive, for the future of that area. This includes issues such as future population, tax base, participation in the workforce, and spending patterns.

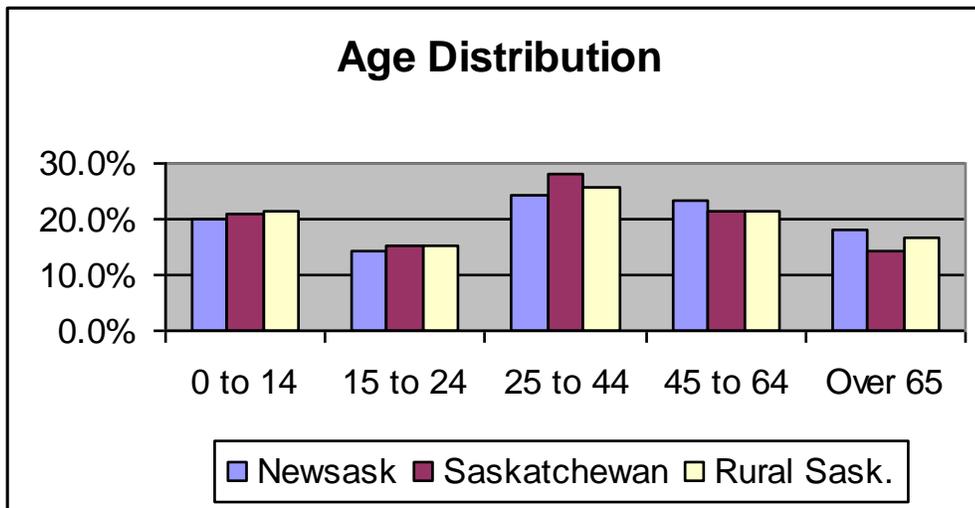
As with the population issue, there is a typical perception about the average age of people in most rural areas, including Newsask, that suggests the population is substantially older than the average throughout the province. Once again, this is not necessarily the case.

As per the graph below, the age distribution within the Newsask area is quite consistent with the overall average for the province, and even moreso for “rural Saskatchewan” which has been calculated by extricating the statistics for Regina and Saskatoon.

The “emerging workforce” in the Newsask area is quite similar to the overall average, suggesting that the available workforce in future will be similar to the overall provincial average. This should not be overly comforting, however, as the impending labour shortage will affect Saskatchewan quite severely.

The higher incidence of persons who are 45 to 64, on the other hand, may well be a contributing factor to the success of the area in diversifying the economy, and in filling available employment opportunities that have been created in the region.

The fact that the “over 65” grouping is above either the provincial average or the “rural Saskatchewan” portion of that age group is, in all likelihood a function of a strong offering of health services in the region.



Source: Saskatchewan Health

- **Key Regional Demographics**

Educational Attainment:

In a market that increasingly demands and rewards technical and professional skills, the expansion of education levels becomes correspondingly important. To that end, the Newsask area is well positioned for the future. The area has the ability to provide a wide range of educational services with high quality K-12 facilities in the area, the Regional College, and integrated facilities such as the Tisdale RecPlex, as well as others throughout the region, with their offerings of training and education services.

At present, the levels of educational attainment throughout the region are as follows:

	<i>% of Population over 25 Years of Age</i>	
	Newsask Area	Saskatchewan
Less than Grade 9	22%	12%
High School Certificate or More	43%	46%
Trade or non-University Diploma	27%	30%
Completed University	8%	12%

Employment Data:

Average Total Per Person Income	\$19,289	\$22,541
Unemployment Rate	8.2%	7.2%
Persons employed in:		
Primary Industries	30%	19%
Secondary incl. Mftg.	13%	11%
Service	57%	70%

4.0 ECONOMIC PROFILE

• Traditional Rural Economic Sectors

The following sectors are those which are typically components of the economic situation for rural areas of Saskatchewan. As will be seen, many are under some revenue or pricing pressures. As a result of what are often long-term pressures, the economy of the Newsask region diversified in the past, often more quickly or earlier, than many other rural parts of the province.

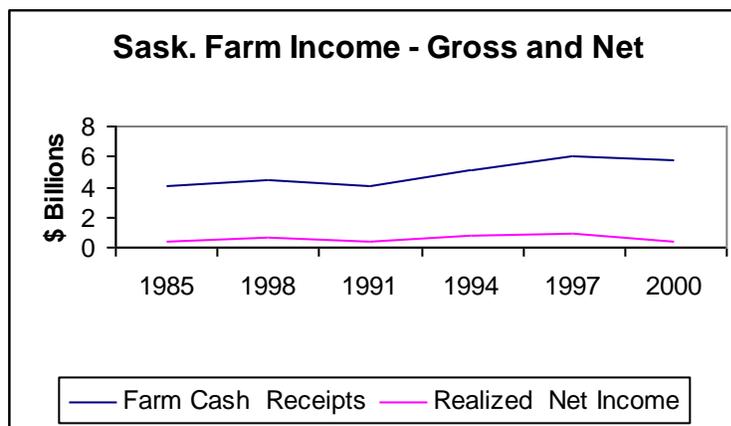
It should be noted, again, that the sectors in this section are those typically associated with rural areas. The next section “Emergent Sectors in the Newsask Region” focuses on the developments of the past decade.

Traditional Sectors Under Pressure:

Agriculture:

The pressures on the agricultural sector on the prairies, and in Saskatchewan, are well documented and relatively well understood. Rising input costs, combined with prices that have often declined in real and absolute dollars, have placed great stress on virtually every rural area of the province.

The overall impact can be best summarized by the graph below:



* Source: Saskatchewan Bureau of Statistics

Within the framework of a struggling farm economy, rural areas have been acutely affected, as traditionally, most of the area's income was derived from these farming activities.

As will be seen in the next section, "Emergent Sectors in the Newsask Region", this geographic area of Saskatchewan undertook several steps which, when combined with a farming area that is stronger than the Saskatchewan norm, managed to at least reduce the damaging effects of farm income pressures.

Retail:

The retail component of a rural area's economy is most properly seen as one which "follows the numbers". That is, retail services tend to congregate where the population lives. Therefore, for much of rural Saskatchewan, facing the "rural to urban" shift, this has been detrimental in terms of available retail offerings.

Additionally, while much has been said about the condition of the highway system in the province, the long-term trend has been toward greater mobility of rural families, thereby placing even greater pressure on the retail sector in rural Saskatchewan.

Furthering the pressure on retail, in the Newsask region, just as is the case in virtually every rural area of the province, is the fact that retail sales in Saskatchewan simply have not kept pace with the growth patterns in Canada, as a whole, for example. Per capita retail trade in Saskatchewan has, in the past decade, lagged the national average by 15% to 23%, edging close to the national mark only once in the past decade.

While it is true that retail does "follow the numbers", it also has an impact on spending patterns within a rural region. Any decrease in retail availability becomes yet another reason for rural families to "go to the city". Each gap or loss in the retail environment becomes yet one more "reason" for a rural family to do their business elsewhere, typically outside the region. In many areas of Saskatchewan, this has become a vicious, downward cycle.

Again, as will be seen in the next section, the ability of the Newsask area to retain its population over the past decade has been very important in the retention and expansion of retail offerings throughout the area.

Education:

Education plays several roles in rural Saskatchewan. The K-12 system produces graduates who often leave an area in search of employment or additional educational opportunities. “Leaving home at 18” has become one more important pressure on rural areas of the province. The absence of further educational opportunities within the region, combined with a perception that quality employment opportunities are not available locally, have combined to step up the exodus of young people from most rural areas of the province.

The second element of the “education equation” is the ability of a region to respond to the skill requirements of its local employer base. As the upcoming labour shortage looms ever closer, and as the skill requirements of employers continues to rise, this component of education in rural Saskatchewan becomes more and more critical. Yet another factor that is important is that it appears to be more likely that a skilled employee will live in a rural region if they have grown up in that area, or will be more likely to live in one which is similar to their original home area. Therefore, additional education and training services, while important today, will become increasingly vital to the economic health of a region.

- **Recently Emergent Sectors in the Newsask Region**

Key Growth Areas of the Past Decade

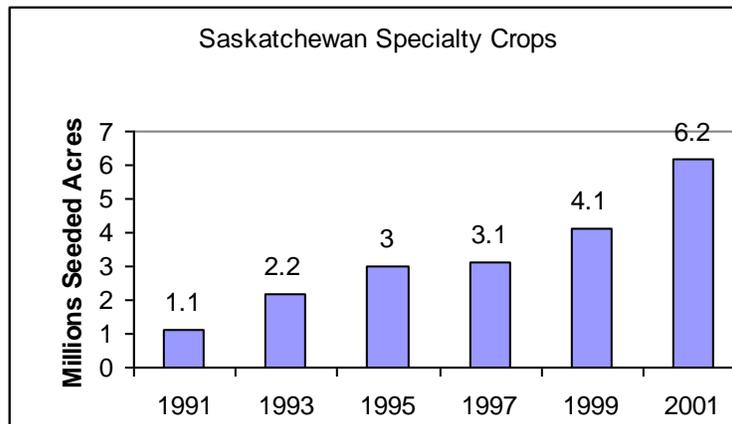
Agriculture

While the prairie provinces have most certainly struggled under the weight of the pressures on the agricultural sector, and the Newsask area has not been immune, a number of factors have slightly minimized the severity of the “price-cost squeeze”.

One way in which this has happened is a function of geography, with a large proportion of the Newsask area having Class 1 soils, and therefore higher crop yields within its borders. Certainly, relative to much of Saskatchewan, this has proven to be a competitive advantage. In fact, Crop District 8, in which much of the Newsask area is located, is the highest producing crop zone in the province, when using wheat yield as the common measurement. The average productive capacity of Crop District is almost 19% above the provincial average, when measured on a 10 year basis, and is 29% higher than the bottom Crop District.

Secondly, the Newsask area adapted earlier and more quickly to the trend to growing alternate crops than was the case elsewhere in the province.

The provincial growth of specialty crops in the province is shown below:



In 2001, the area produced Yellow Mustard, Large Green Lentils, Green Dry Peas, Yellow Dry Peas, Canary Seed and Chickpeas in relatively large quantity compared to the rest of the province. In most cases, Crop District 8, or the Newsask region, is the most, or one of the most, productive areas of the province for each of the specialty crops.

There are also a number of other descriptions of the Newsask zone, as an agricultural area, that typify the core strength of the region. The following are adapted from a list developed by the Eden Regional Economic Development Authority, which is located inside the Newsask area:

- All grains are grown in region
- High production levels of grain in the region
- Good return on investment for area companies
- Net cash flows in area are above provincial average
- Crop inputs, because of production capacity, are two to three times as high as in some other parts of Saskatchewan
- Farms in the area continue to increase spending patterns by 3% per year
- The quality of land is much higher than in many other parts of the province
- Non-farm income sources are more varied in the area
- There is a large number of communities in area, relative to many other parts of Saskatchewan

Agriculture Processing

One of the measures that best indicates the growing importance of the processing of agriculture products in the Newsask area today is the fact that, of 81 manufacturers and processors, listed in the Saskatchewan Manufacturers Guide, 27 are related to some form of food or agriculture product processing.

Other smaller business operations, not included in the Manufacturers Guide, add significantly to the level of agriculture product processing in the area.

Saskatchewan has approximately 120 businesses that are classed as food processors. The Newsask area contains a small percentage of that total, depending on how the “food processor” classifications are determined.

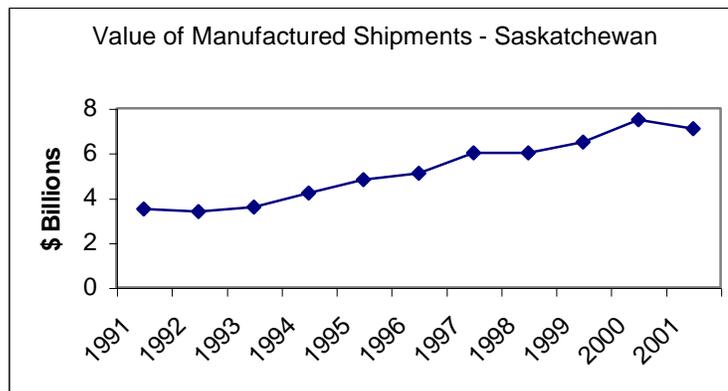
Progress has been achieved in this area, however, as two of the region’s food processors, CanAmera Foods of Nipawin and Thomson Meats of Melfort are classed amongst the “Top 20” food processors in Saskatchewan. The food processing sector is amongst the top employment creators of any business sector in the provincial economy. The businesses that rank in this “Top 20” list range anywhere from 50 to 1,400 employees per company.

Manufacturing

Manufacturing is an area in which the Newsask area has achieved considerable success in the past decade. Many of the products manufactured are, as would be expected, agriculture related. Many, however, are not in any way related to the agricultural base of the area.

After removing the 27 companies whose products are related to agriculture, the Newsask area contains 54 other manufacturers, according to the Saskatchewan Manufacturers guide. Many of these are very significant employment creators. Additionally, it is virtual certainty that “all manufacturers are exporters of their product”. Therefore, the manufacturing sector creates what is often termed “real wealth” within the Newsask area, since they sell their products outside the Newsask boundaries, and typically outside the provincial or national borders.

This area of activity, is very clearly, key to the economic future of any region, as is the case for the province overall. The growth in Value of Manufacturing Shipments for Saskatchewan, below, illustrates the growing importance of this sector to the province.



* Source: Saskatchewan Bureau of Statistics

The extent of manufacturing growth in the Newsask region can be described by the number of communities listed in the Provincial Manufacturers Guide. Each of these communities has one or more manufacturers or processors listed, with some communities being home to many such companies:

- Anaheim
- Arborfield
- Aylsham
- Carrot River
- Choiceland
- Englefeld
- Hudson Bay
- Kelvington

- Kinistino
- Lake Lenore
- Love
- Melfort
- Nipawin
- Pleasantdale
- Porcupine Plain
- Spalding
- St. Brieux
- St. Gregor
- Tisdale
- White Fox
- Zenon Park

An expanded capacity for manufacturing and processing is occurring within the Newsask area. The following examples of recent expansions make that point:

- Northern Steel expanded from 90 to 120 people
- NuForm has grown to 18 staff in four years
- Walker Seeds has increased from 55 to 80 staff

Very clearly, the Newsask area is successfully translating the growth of the manufacturing sector into job creation, value growth and expanded opportunities within the region.

Tourism

Throughout the Newsask region, tourism activity is converting interest in summer and winter vacationing into investment, jobs and new business activity. As individual communities, specific destinations, and as collaborative groups, the Newsask area is enhancing its performance in year-around tourism activity.

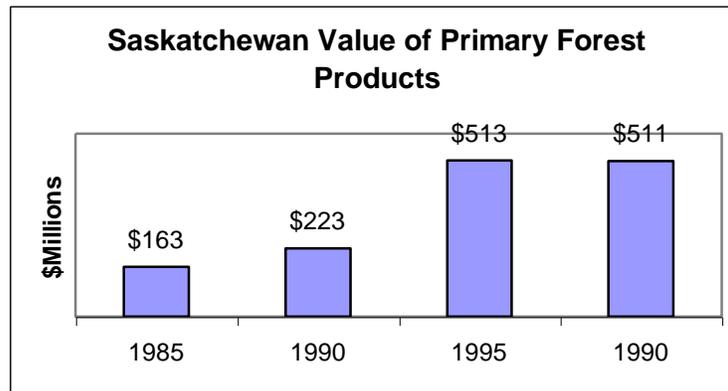
Perhaps the best way to explain the success of the region is on an anecdotal basis, with comments from area residents as the source of this relatively newfound economic success:

- In the Nipawin area, 14 of the 25 tourism based business listed in the Economic Development Department's "Tourism Services Guide" are either new or have expanded their operations within the past five years
- There is a vastly increased number of partners in tourism development in the immediate area, including operations in Nipawin, White Fox, Tobin Lake, Carrot River, Arborfield and Cumberland House
- In Hudson Bay, the focus suggested by residents is to continue to develop winter tourism to expand on the summer tourism growth to retain jobs year around
- There is both existing activity and substantial potential, extending to a year around project, with Pasquia Park and the paleontology site
- In Melfort, the Northern Palace for example, has greatly increased the exposure for city and area, along with a very substantial increase in the number of visitors
- Tourism is now estimated to be a \$9 to \$10 million per year business in Tisdale-Melfort area
- Cumberland House is evaluating the strong potential for eco-tourism that could include tours, guiding and teaching visitors about customs and traditions of the area

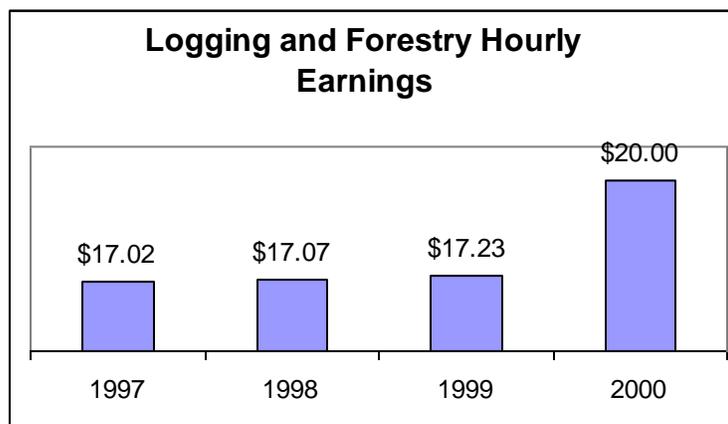
Forestry:

While most of the news of the past year regarding the forestry sector has centered on the softwood lumber dispute with the United States, the importance of forestry in the development of the Newsask area should not be underestimated.

With the northern portion of Saskatchewan, in which Newsask is located, having virtually all of the province's forestry resources, the area has seen much of the growth and expansion of forestry operations, and more recently, processing.



Not only has the sector had strong growth, the ability of area residents to earn a living within it, has recently increased:



Profile Synopsis:

The Newsask region stands out for a number of positive reasons:

- The area has retained its population over the past decade. This positions it in a very unique spot, not just in Saskatchewan, but also in Canada and in North America, as it is one of a handful of rural areas on the continent to fend off the “rural to urban” shift, and to do so very successfully.
- The area continues to be one of the strongest agricultural locations on the Canadian Prairies, due to its core strengths in terms of land, and because of the diversification of the regional farm economy.
- Agricultural processing has expanded rapidly. Many businesses in the region, that are engaged in some form of food or agricultural product processing, have expanded in the past decade.
- The manufacturing capacity of the region has increased dramatically, to the benefit of the creation of quality jobs.
- Co-operation in tourism development has become the norm, whether it is in the form of co-developed facilities or marketing campaigns. The results have been evident in the form of jobs created and increased investment.
- The area clearly understands the need for, and importance of, the “export focus” it has adopted.

SECTORAL OPPORTUNITY ANALYSIS

Prologue:

- *Development Framework Purpose:*

Before any analysis of a range of sectors and potential development areas can be undertaken, a standardized framework for evaluation of opportunities is essential.

It is clear that one framework cannot fully evaluate all opportunities. However, almost every emerging opportunity has some common elements that must be in place, to one degree or another, before it can occur.

On a relative basis, this study is a comparative review of opportunities, with recommended action steps, compared to the in-depth analysis that will invariably be undertaken by project participants for specific business and development opportunities. When project proponents are risking their own capital, the degree of analysis must, by definition, be very in-depth. Only by doing so, will the capital required be accessed.

This study will, however, use a more standardized framework for analysis of a range of opportunities. The outcome of this approach should be threefold:

- To identify opportunities which are closest to “the top of the list”,
- To identify some of the “factors”, that is either impediments or accelerants that currently exist, or which must be addressed before embarking down the path of project development, and/or
- To assist in public understanding of the numerous opportunities available throughout the Newsask region.

- ***A Key Role for Newsask and its Partner Organizations:***

To address the latter of the three above points first, public understanding and/or support is often underestimated in opportunity analysis. Only when there is greater, rather than lesser, understanding of opportunities for a community or region will there be the required public acceptance and support necessary to achieve success. The level of public understanding translates into very concrete outcomes such as:

- Support for legislative changes needed for specific developments,
- Support for improvement to the overall competitive environment for the region,
- The degree to which a “risk culture” is held and valued,
- Investment in projects,
- The retention of the population base,
- The retention and attraction of the required labour force.

Within the realm of “public understanding” of development opportunities, there are several key lessons that bear repetition, as derived from the Newsask Economic Development Strategy Report, released in the Fall of 2001.

First, there remains a wide gulf between public perception and some of the facts. This is best illustrated in a few examples, as derived by analysis of a public survey, versus the actual situation, as determined by an objective analysis:

- ***Perception:*** “We are losing our population rapidly”.
- ***Fact:*** The population of the Newsask area, in 1991, was 49,454 (according to Sask Health). The population of the Newsask area, in 2000, was 48,839 (Saskatchewan Health).
- ***Update Note:*** The area population as at 2001, according to Saskatchewan Health was virtually unchanged at 48,862, a very minor shift. This is minor, compared to common perceptions.

- ***Perception:*** “No one is doing anything to create jobs.”
- ***Fact:*** As was determined in a residential survey, roughly half of residents are not aware of economic development groups that are located right in their immediate region or in their own city, town or village.

- ***Perception:*** “No one works together.”
- ***Fact:*** There are several formats in which local communities work together. Tourism organizations, for example, often include several towns and R.M.’s. REDA’s involve many communities and some R.M.’s.

The following are examples of public perceptions and beliefs, as derived in a residential survey, that were noted as being “in need of fixing”, one of the key purposes of the Fall 2001 Newsask Economic Development Strategy Report.

- 53% of residents believe the economy of the area is worse than five years ago.
- The primary measures of the economy, by residents are:
 - The agricultural economy
 - Spending patterns
 - Business closures and openings
- Almost 40% of respondents said there is no economic development agency right in their immediate area, even though there is one.
- Almost half of residents, who do know there is an economic development group, don’t know its purpose.
- Only one quarter of respondents could identify any type of project or opportunity for economic development. (Note: Although the public survey indicated a low level of either knowledge in this area, the response in the “focus group” environment in the area meetings, quite to the contrary, yielded long lists of opportunities being identified.)

Clearly, the work of “educating” the public, as identified in the prior study must continue. This is critical to acceptance, encouragement and participation in the development of the opportunities identified in this study.

In doing so, it will be important to “educate” and discuss this issue with the public in “their terms”. Again, the Fall 2001 study provides useful insights. Residents believe economic development occurs when they see the following, listed with the percentage response for each measure:

- | | |
|------------------------|-----|
| • Job creation | 59% |
| • Business starts | 23% |
| • Population growth | 13% |
| • Increased investment | 6% |

Clearly, new businesses with jobs attached to them becomes the primary measuring stick used by the public, and is at the core of the messages that should be utilized to gain and encourage public support.

To this list, however, should be added one more measure, that being “average income per person or per household”. This is an important measure in that, while an area or region may well be losing population, or just holding its own, what is perhaps more important is “how they live”. While very clearly, population counts have an impact on the ability to provide services, “average income” has a decided effect on the ability of residents to live in a manner they desire.

- ***Development Capacity – Area Building “Inventory”:***

One of the key components of the decision on whether to proceed with a project revolves around the availability of land and buildings that fit the requirements of the operation.

It is a decided advantage if there are suitable buildings, already in existence, which can be used, and modified if necessary for a new business venture. This, of course, reduces up-front capital costs, and thereby pushes the project one step closer to viability.

Often, in rural Saskatchewan, there are few if any buildings available for use. The Newsask area, does, however, have some such facilities for commercial project purposes. The available inventory should be reviewed with the Economic Development Officer in each community for an updated list of available buildings.

As at April 2002, below is the inventory of commercial buildings in the communities of the Newsask region:

Tisdale:

- 2,439 square feet of shop, office and quonset
- 4,168 square feet, on two floors, commercial space
- 2,400 square feet high-wall shop with overhead doors
- 2,236 square feet commercial space
- 4,215 square feet shop, office & retail, with overhead door
- 5,500 square feet quonset style industrial building
 - *Contact: Doug Hay, Tisdale Economic Development, 306-873-4106*

Melfort:

- 20,000 (approx.) square feet retail space
- Former bakery, with some equipment still located therein
- 13, 425 square feet building and 3,200 square foot garage, former dairy producer
- 27,160 square feet with high walls, overhead doors, shop and showroom space
 - *Contact: Roger Vogelsang, Melfort Economic Development, 306-752-9511*

Hudson Bay:

- Former bank building
 - *Contact: Roger Lacoursiere, Hudson Bay Community Development, 306-865-2261*

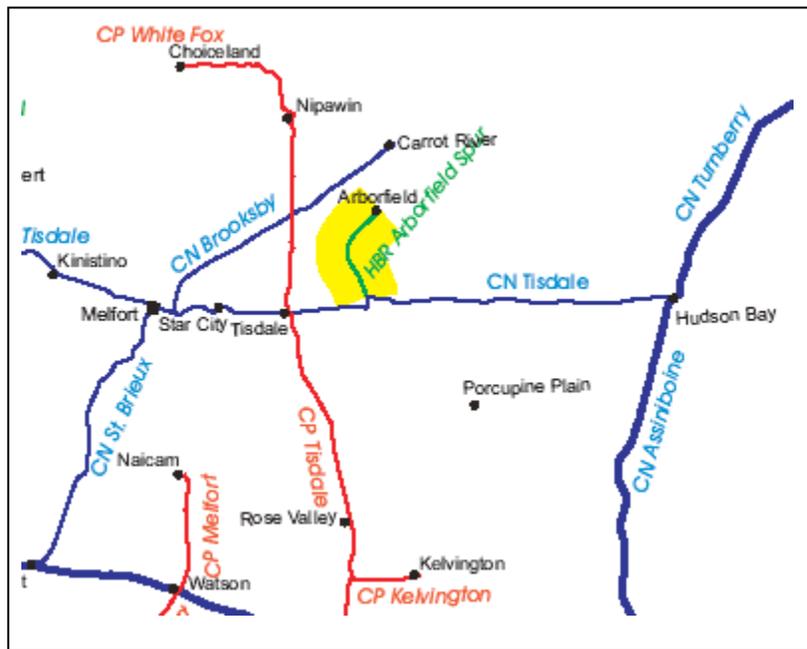
Nipawin:

- 2,345 Sq. ft. Tea House
- 1,144 Sq. ft. Pet Store
- 1,872 Sq. ft. Bank
- 1,414 Sq. ft. Music Store
- Back portion of existing clothing, second hand store
- 1,715 Sq. ft. Shoe Repair
- 2,400 Sq. ft. Gym
- 800 Sq. ft. Service Station
- Office - 16 x 22, Warehouse size on request
- 1,850 Sq. ft. Dentist office
- 1 Bay- 16 X 30 Appliance Repair
- 2,800/3,600 Sq. ft. RV Sales and Compound
 - *Contact: Sherry Michalyca, Nipawin Economic Development
306-862-9866*

Naicam:

- 960 Sq. ft. commercial with 480 sq. ft. wash bay and semi-attached double car garage
- 5,000 Sq. ft. brick one storey commercial space on Main Street
- 500 Sq. ft. commercial space off Main Street
- 140' x 120' Land on Main Street
- 83' x 120' on #6 Highway
 - *Contact: Sandra Lebarre, Naicam Community Development Officer
306-874-2125*

- **Rail Network Inventory of the Newsask Region**



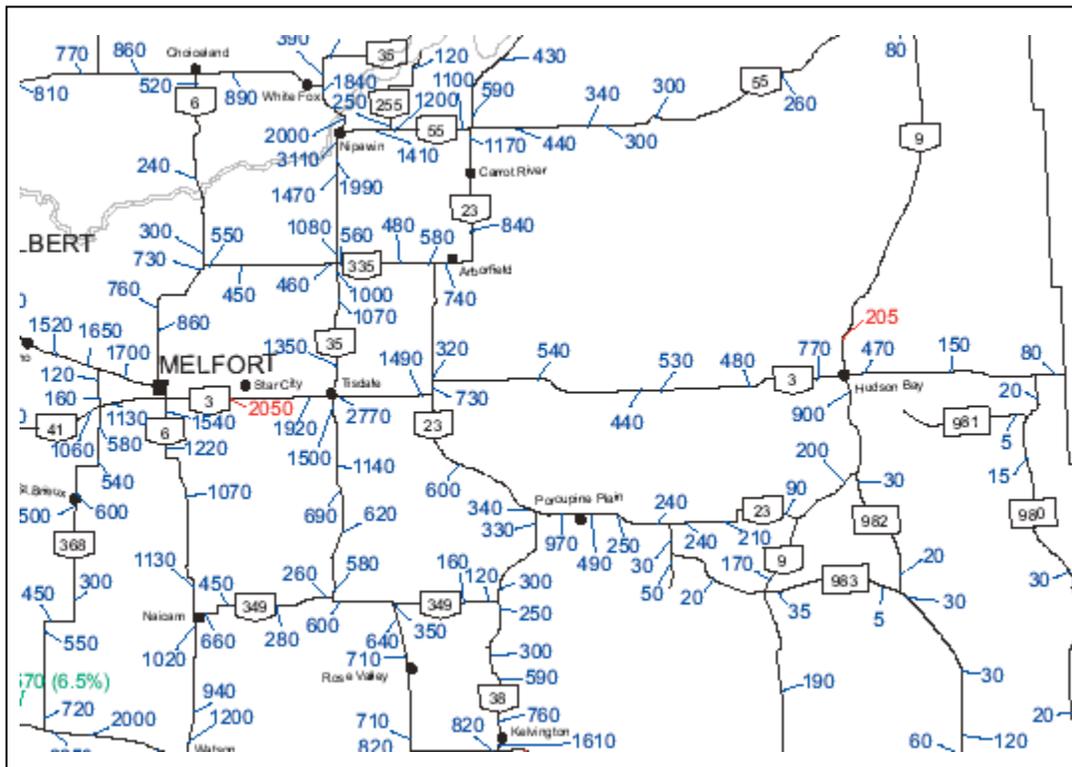
* Source: Saskatchewan Department of Highways – Saskatchewan Shortline Rail Network 2001

The rail network within the Newsask zone is a combination of short line operations and the CN and CP rail network.

The relatively small number of kilometers of rail line through the region has several implications for development in the Newsask area, including:

- Manufacturing and processing activity is more likely to utilize trucking services than rail. Only when a business reaches a very large critical mass of shipping activity does the establishment of a spur make economic sense. The closest major spur, for example, to the Newsask region is located at the Weyerhaeuser pulp mill.
- Just as has been the case for grain shipments vs. grain processing, the relatively low availability of shipping capacity via rail argues in favor of shipping higher valued products, that is, more finished rather than less finished product.
- Uncertainty over the future availability of rail service through the region will make it more difficult for the region to attract the types of companies that produce goods that are more likely to be shipped by rail.
- The development opportunities that are more likely to require rail service e.g. forestry products, are, fortunately relatively close to main rail lines.

- *Highway / Road Network of the Newsask Region*



* Source: Saskatchewan Department of Highways – 2001 Traffic Volume Map (Average Annual Daily Traffic)
(Note: Melfort = 4,800)

The highway system throughout the Newsask area, unlike the railroad network, is quite extensive. While some would argue about whether it is sufficient, when judged against the quantity and quality of highways in some other parts of Saskatchewan, the comparison is quite favorable.

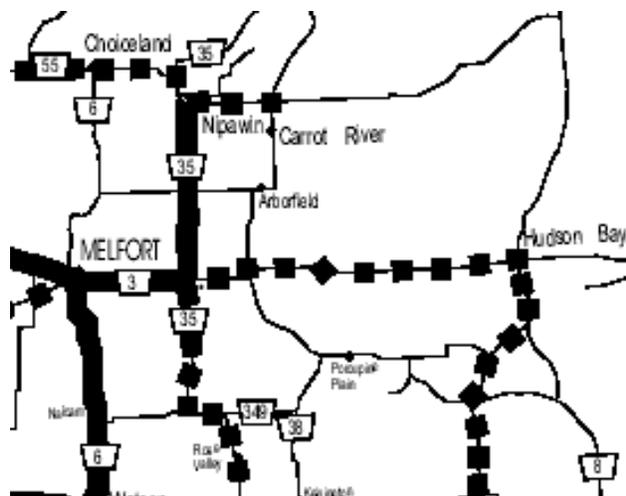
The relatively strong highway system in the Newsask area has several economic development implications, including:

- Because manufacturing and processing activity is more likely to utilize trucking services than rail, the Newsask area is relatively well positioned.
- The relatively favorable status of highway availability lends itself to substantial capacity for truck shipping, which again is conducive to shipping higher valued products, that is, more finished products, rather than less finished product.
- The expansion of trucking services, discussed further in Section 9, fits well with a relatively strong primary highway network throughout the region.

- There are a number of potentially developable sectors, discussed in this report. Of those that have the highest probability of being developed and/or the highest economic impact, the following transportation modes are typically required:

	Truck	Rail
○ Beef Production	X	
○ Intensive Hog Operations	X	
○ Specialty Livestock	X	
○ On-farm Opportunities	X	
○ Food Processing	X	X
○ Manufacturing Services	X	
○ Forestry	X	X
○ Minerals	X	
○ Retail	X	

- Major year-around highways do run through the region (as below), enabling large shipment trucking on a year-around basis.



* Source: Saskatchewan Department of Highways

———— Primary Weight Highways

- - - - - Secondary Weight Level Highways, Closed to trucking some of year

- ***Business Opportunity Assessment:***

The development framework which will be applied across a range of sectors and opportunities in this study, includes three basic components:

1. Markets
2. Development Capacity
3. Propensity to Capture Opportunities

In general, the first element, “Markets” is, at least on a relative basis, a “given”. That is, markets are either there, or they are not. That is, of course, a simplification as market development is always possible. However, the Newsask area as a region, or project proponents individually, will have limited capacity to “create” a market if none currently exists.

“Development Capacity” is an area in which the region, its economic development agencies and project proponents have greater ability to influence a positive outcome. There are always limits on what is economically possible or feasible. However, some of the elements of Development Capacity can be, at a minimum, encouraged, and at best, created.

While economic development agencies can play an active role in some areas, other components of Development Capacity will be primarily the domain of project proponents.

“Propensity to Capture Opportunities” is a function of the “public attitudes” identified in the initial discussion under this prologue.

This is an area in which organizations such as Newsask Community Futures, the Regional Economic Development Authorities, and community economic development groups can play a large role.

The encouragement offered by residents of any geographic area to developers of a project is vital, and should not be underestimated.

Specifically, the elements of “Business Opportunity Assessment” are as follows:

- 1. Markets**

- Internal markets, within the region
- External markets, outside the region
 - In Saskatchewan, in Canada, in North America or offshore
- Cost of accessing markets
- Degree of competition within market

2. Development Capacity

- Access to Capital
 - Cost of capital, time frame over which capital is available, internal vs. external sources of capital
- Labour pool
 - Ability to acquire higher-level expertise that is required
 - Ability to fill lower-skilled labour requirements
 - Internal vs. external sources of labour
- A competitive environment, with a focus on operating costs including:
 - Personnel costs
 - Taxation costs
 - Land costs
 - Costs of existing buildings
 - Cost for new construction
- Land and building
- Track record of related success
- Regulatory regime within region, province and country

3. Propensity to Capture Opportunities

- Ideas and ingenuity
- Risk Culture of the area
- Propensity for Action

- ***Economic Impact Assessment:***

Economic impact assessment is used as a key measure of each sector later in this study in order to assist in prioritization of activities. The framework below was used to measure “Economic Impact” for each of the studied sectoral opportunities. The elements of “Economic Impact Assessment”, as well as benchmarks, are:

1. Job creation.

Background information:

According to Statistics Canada, and the 1996 Census, the latest year in which detailed information is available, the number of persons employed in the labour force, for the area that intersects with the Newsask area, was 19,900. A subsequent study by Cumberland Regional College pegged the workforce number at 19,570 as it developed a series of projections on future employment opportunities in the region.

Of those who are of workforce age, totaling 30,475, this represents a participation rate of 65.3%. This compares to the provincial participation rate of 67.3%.

Additionally, the defined area had an unemployment rate of 8.2%, again lagging slightly behind the provincial average of 7.2%.

2. Impact on average income in area.

Background information:

According to Statistics Canada, and the 1996 Census, the latest year in which detailed information is available, the average income in the area that intersects with the Newsask area was \$19,289 per person. This compared to an average of \$22,541 for Saskatchewan and \$25,196 in Canada.

Given the agricultural pressures of the past few years, the “rural to urban” shift occurring throughout much of Canada, and other demographic and population trends, it is reasonable to assume that approximately the same gap between Newsask area incomes provincial / national incomes continues to exist.

3. Population growth

Background information:

As was identified earlier in this report, the population of the Newsask area remained relatively stable from 1990 to 2001. This followed on the heels of a substantive reduction in area population that occurred between 1970 and 1990.

All indications are that the region is withstanding the “rural to urban” migration quite well. It is important to note that the rural to urban phenomenon is not a Saskatchewan occurrence, but rather, is the norm across Canada, throughout North America, and in fact, in most other developed areas of the world. That being said, any actions that can either fortify, or actually increase the population of the region would be welcomed. This would be beneficial from the standpoint of having additional taxpayers to share the cost of services, and would also provide a very

major stimulus to the “confidence index” of the region. Residents would know their area was one of very few jurisdictions in North America that had been able to withstand a widespread trend.

4. Export of product or service.

Background information:

The primary reason for the inclusion of “export” as a component in assessing economic impact is that export results in the acquisition of “other people’s money”. The creation of new, or real, wealth in the area is possible only when a local business sells a product or service that is purchased by someone from outside that region.

For example, in a city, the retail sector is deemed to provide very limited “export impact”, as the majority of its sales will go to people who live in that same city. Therefore, if a new competitive retailer starts up, the tendency will be to divide up the same local customer base.

Manufacturers, on the other hand, tend to be exporters. In a small market province like Saskatchewan, with a mere million people, manufacturers and processors are, almost by definition, exporters.

In rural communities, retailers do tend to have more of an “export” value than is the case in a larger city. The addition of a retail outlet in a smaller centre is more likely to cause the “retention” of shopping activity of the residents of that small centre, than is the case in a larger city. Therefore, the addition of retail capacity, in rural Saskatchewan, does tend to have “import replacement” function. However, the scope of the impact does not reach the same degree, as is the case for manufacturers and processors.

5. Business starts.

Background information:

Business starts are included as part of the Economic Impact criteria for the obvious reason that they employ one or more persons, and have the capacity to increase that impact over time. But, business starts have additional “Impact” value. They are an important signpost to residents, as determined in an earlier residential survey, of job creation, economic progress and again, they enhance the “optimism index”.

6. Increased investment.

Background information:

While it would seem natural that increased investment would be part of the criteria for assessing economic impact, there are two elements that should be articulated.

First, residents place investment low on the list when they judge economic progress. Area residents place more value on new jobs, new businesses and population growth as indicators of how they are faring economically, even though investment forms the necessary base.

Secondly, investment is always necessary for economic growth, but it should be pointed out that a fundamental shift has occurred in the past few years. Rural residents have shown newfound confidence in investing in business operations, outside of their own homes, their own companies or their own farms. This is a critical shift, as much of the development that will be discussed in this report will be investment-led. And in today's market, there is no doubt that area residents and businesses will have to take the responsibility for "investing in their own future".

Finally, key to the evaluations of economic impact on a sectoral basis, is this premise:

"The optimum use of time and energy for economic development groups is to focus on three things:

- **Projects with higher than average likelihood of success, AND**
- **Projects which have the greatest degree of economic impact, AND**
- **Projects in which the economic groups can play the most significant role.**

The reality is that some projects will proceed with or without assistance from economic development groups. Many market decisions will be made by producers, with or without, advice from "outside".

The key for economic development groups is to identify and focus on those projects that fit the criteria of likely success, high economic impact and where there is a likelihood of economic development groups making a significant difference to the outcome.

5.0 AGRICULTURE

Overview:

A sector acknowledged as being under siege, with increasing input costs and declining prices for outputs, might seem an unlikely target for opportunity analysis. However, it is clear that opportunities do exist, albeit perhaps not in the manner in which they have been known in the past.

A range of new products and new areas of agricultural activity have come to the fore. As previously noted, specialty crops have been subject to vigorous expansion in Saskatchewan and the Newsask area took the lead in this regard. Department of Agriculture statistics show conclusively that the area is very productive, relative to the remainder of the province.

The objective of initiatives in the agriculture should be twofold:

- Increase the average income of those in the business
- Increase the average revenue per acre

The current “revenue per acre” in Saskatchewan is far short of overall goals as enunciated by groups such as the Saskatchewan Agrivision Corporation. Given the low likelihood of grain prices rising to a range that would achieve this goal, production of alternative products is the only manner in which this objective can realistically be approached or reached.

Within a province that has 46% of the country’s agricultural land, but accounts for only 17% of Canada’s primary agricultural production, there is obvious “room to move”.

Beef Industry

Background:

Saskatchewan is touted as one of the primary areas of Canada, and in fact globally, that has the capacity to significantly expand its beef production. Saskatchewan Agrivision has projected that beef output from the province can triple within the next eight years, provided that the beef cow herd increases by 50%, that the resulting calves are fed in Saskatchewan and that higher numbers of cattle are fed to market weight and slaughtered in the province.

As at the year 2000, Canada was the 11th ranked beef producer in the world, the 6th ranked importer of beef, and the 4th largest exporter of beef in the world. The obvious gap between the 11th place ranking as a producer and the 4th place ranking as an exporter speaks to the country's significant capacity as an exporter of quality beef and its reputation as a provider of safe product.

The Newsask area is already well ahead of much of the province in expansion of beef production, with the best example being the Red Deer Cattle Co-operative, an example of the "new model" of ownership. Essentially, the model enables significant expansion of production, fitting with the potential for domestic and export beef sales. The new-gen co-op model has three key attributes: the use of a tied contract that sets each member's delivery rights and obligations, restriction of membership to producers who purchase delivery rights, and higher equity investment by individual members.

Factors Enhancing Expansion

- Continued global demand for beef products
- The strong reputation of Canadian beef producers
- The success to date of the Red Deer Cattle Co-operative as a leader with this business model in Saskatchewan, with its attendant efficiencies in both the production and marketing areas
- Land availability
- Demonstrated willingness by some communities in area to invest in "others' businesses"

Factors Inhibiting Expansion

- Continuing drought conditions have led to a herd reduction in a number of areas
- Limitations on traditional debt options from financial institutions, leaving a greater than average reliance on equity capital
- The cyclical nature of industry prices often causes non-agricultural people to avoid the sector
- Relative lack of interest on the part of many municipalities in encouraging this expansion as it does not typically translate into additional tax revenues
- Recent development of cattle co-op concept translates into little financial history that would assist in attracting investment

Economic Impact Issues

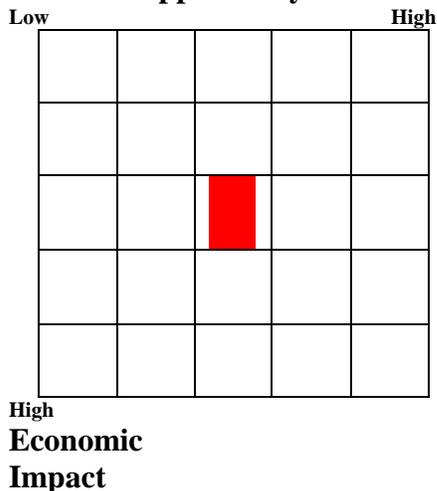
- Limited job creation relative to other sectors
- Primary benefit is potential for increased “income per acre” and increased “income per resident”
- Virtually all production is an export outside the region

Growth Strategies and Actions:

- a) Decide on the ownership model, in all likelihood, a new generation co-op or individual ownership
 - Start up costs will range from:
 - \$1 million for animal cost and \$.4 million in construction for 1,000 head
 - \$5 million for animal cost and \$1 million in construction for 6,000 head for 3,000 head feedlot
 - \$17 million for animal cost and \$4 million in construction for 20,000 head for 10,000 head feedlot
- b) Become part of the discussions on a new ethanol plant in the region. It is very possible the next significant wave of beef industry expansion in the region will accompany an ethanol operation. The proposed size of ethanol plant, whether it be the 20 million-litre size or the 80 million-litre size will be more than adequate to accommodate the above herd sizes.
- c) Given the high entry cost, it is very possible that the New Generation Co-op model will be used, given the relative challenges of financing this type of start up, and the increasing acceptance of investment in cattle operations. Information on the process for forming this type of organizational structure can be obtained from Wayne Thrasher, Saskatchewan Industry and Resources, 4th Floor - 2103 11th Avenue, Regina, SK, S4P 3V7 or by telephone at 306-787-0191 or by e-mail at wthrasher@ir.gov.sk.ca

Synopsis:

Business Opportunity



Intensive Hog Operations

Background:

The Newsask area has participated in the rapid growth of the intensive hog industry in Saskatchewan, with operations being set up in Ridgedale and Carrot River, through Heartland, and in Star City and Arborfield, through Quadra. There is reported to be active interest in a Big Sky hog operation in the Tisdale and Porcupine Plains areas as well.

Existing operations have been responsible for significant job creation in the region, and any additional expansion would produce a proportionate increase in employment opportunities in the area.

One important factor about the intensive hog industry is that was an early leader in the concept of “communities investing in themselves”. This phenomenon is vitally important in rural Saskatchewan, as most people have learned to accept that “only they” will save their community. The combination of local and corporate investment, along with the relative success of the hog industry, truly has created a new mindset in rural Saskatchewan. The Newsask area has the potential to benefit significantly from this important trend, in this, and other industries.

Factors Enhancing Expansion

- A track record of local investment in the hog industry
- Access to capital through a combination of local and corporate investment
- Relatively low construction and operating costs, relative to other provinces
- The existence of some larger communities in the Newsask area does facilitate the hiring of key personnel, an advantage over some areas of the province
- Saskatchewan’s development-friendly environmental legislative environment
- The continuously increasing worldwide demand for pork products

Factors Inhibiting Expansion

- The constant potential for public opinion, typically from outside the area, to limit expansion
- The need for “space” between projects will place some limits on expansion, although that is some distance out
- The availability of qualified personnel will be an increasing issue
- Low prices in past years, and recently, has deflated profitability expectations

Economic Impact Issues

- Noticeable and recognized job creation at each site, with larger operations in Saskatchewan creating in the range of 50 new jobs
- Positive impact on farm, business and personal incomes of the area
- Employment opportunities are often filled locally as the industry begins, but after sufficient expansion, there is the potential for people “moving into the area”
- Virtually all production is exported outside the region
- The industry has been key to encouraging local investment in business operations

Growth Strategies and Actions:

Many communities in the province would like to see an intensive hog operation set up in their region. Given the proven capacity of these operations to create jobs as well as provide ready markets for local grain, this is not surprising.

Intensive hog operations are different than other businesses in some important respects. Hog operations typically have a wider base of ownership and they have a wider base of local suppliers. They are also more susceptible to negative reaction about the possibility of setting up in some areas.

For a number of reasons, it is unlikely that a single person or a single company will launch an intensive hog operation. As a result, this approach dictates some important steps that should be undertaken in order for a community or an area to attract intensive hog operations. Because of the inherent differences in these types of business operations, a group, such as an economic development organization, can play a pivotal role. The following steps can be utilized to develop the industry locally:

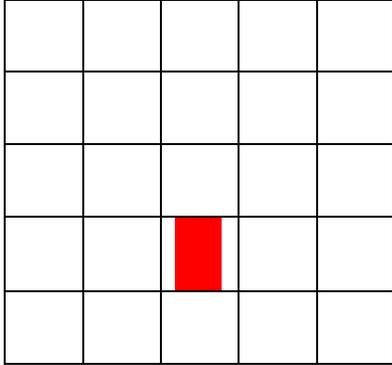
- a) Hold discussions with all major hog operators in the province to determine their expansion plans
- b) Determine the precise requirements of each operation for e.g. local support among residents, investment requirements, and geographic requirements
- c) Determine the areas that fit the geographic and input supply requirements of the hog operations
- d) Determine the level of support in those regions that fit the geographic and input supply requirements. (To quote one of the large operators' Website information proving this point, "*Production facilities are only located in areas where there is community support and by invitation of local grain producers and community leaders who understand the benefits of creating new jobs and economic opportunities.*")
- e) Communicate information on the prospective sites to the hog operations that have expressed interest in expansion
- f) Once a potential operation has been identified, it is most likely that the economic development group in that region will have to be substantively involved in communication of the economic and employment benefits of the project. Evidence of broad-based local support and interest is critical.
- g) As well, the group can expect to have some involvement in raising equity in the range of 20% to 25% of the total of the community's investment, which can be augmented through debt financing through local or regional financial institutions or FCC, for example, and which will be further augmented by the investment on the part of the operator.

The steps above are, again, best accomplished on a regional basis, as opposed to through individual ownership and contact. Many communities are interested, but far fewer of those actually take the time to do the background work that will make their area stand out as an investment site. The steps above will clearly illustrate the interest of a particular area.

Synopsis:

Business Opportunity

Low High



High
**Economic
Impact**

Specialty Livestock

Background:

The specialty livestock sector has experienced both rapid growth and significant challenges in recent years. Overall, exports of “game meat” doubled from 1995 to 1999. Similarly, herds of specialty livestock such as elk doubled in Saskatchewan during a four year period in the mid 1990’s.

A key challenge, of course, is the lack of processing facilities in Saskatchewan. The result of this is a small number of meat processors handling very little volume, and doing so only on an as-requested basis. The combination of this lack of processing facilities in Saskatchewan and a lack of either federal-inspection or EU inspection processes in the province restricts the growth of the production industry in the province.

The announced intention to construct a bison processing plant in North Battleford by 2004 does bode well, however, for the future of at least this one component of the specialty livestock industry.

Factors Enhancing Expansion

- Continued export growth of most specialty livestock species
- Positive industry effect of bison processing plant
- Potential to increase “per acre” revenue
- Has the potential to expand, and create economic impact, but over the longer, rather than the shorter term

Factors Inhibiting Expansion

- Lack of Canadian domestic market
- Lack of processing facilities and inspection processes in province
- Wasting disease issues
- Any uncertainty about bison processing plant will take away from the likelihood of herds being built up in time to be “first off the mark” on the prairies

Economic Impact Issues

- Primary effect would be to enhance revenue per acre
- Job creation limited
- In full growth mode, sales would shift, in absolute and relative dollar terms, toward export

Growth Strategies and Actions:

- a) Assess the likelihood and timing on a new specialty livestock processing facility
- b) Match the startup cycle to the processing facility timing
- c) Given the nature of the business, it remains most likely these will be individual operations, and therefore, will be a producer decision that augments farm income.

Synopsis:

Business Opportunity

Low High

High
**Economic
Impact**

On-farm Opportunities

Background:

In an effort to augment farming-based incomes, it has been the norm throughout the Newsask region and throughout Saskatchewan, for farm owners to seek opportunities in either off-farm jobs or through on-farm business operations.

Some areas of the province have visibly increased their on-farm / non-agricultural or agricultural activities. The range of business opportunities is almost as varied as one would see in an urban centre.

An extensive range of business activities has been undertaken “on the farm” including processing facilities, manufacturing work, welding and machining services, tourism development, business and personal service companies, and retail.

It is reasonable to expect this trend will continue for the reasons noted above, and because, increasingly processors and manufactures are typically looking for a low-cost venue from which to operate. If this trend does continue it will have a positive effect, primarily on household income levels, and to a lesser extent, employment opportunities in the region.

One key question that must be addressed regarding this trend is zoning. Often, activities such as those described above are outside the activities allowed under current zoning regulations. In most of these cases, the activities are simply ignored.

In order that the Newsask region, or parts of it, can position itself to host new manufacturing and processing activity, they will have to address a fundamental question. Will they “force” the business to be “in town”, where they were always “intended to be”, according to some people, or will they be allowed to migrate to the R.M. where it is cheaper, but where, again in the view of some, they were never intended?

Furthermore, in the case of businesses of significant size, a key issue will be a revenue sharing agreement between the town and the R.M. Failure to prepare for, or arrange for, a revenue sharing agreement between municipalities will likely mean an ongoing argument over the servicing and revenue elements of the farm-based business.

Factors Enhancing Expansion

- The need to create income, past that which “the farm” affords precipitated this trend
- Low costs are key to being competitive for exporters, which is what many on-farm businesses have become
- Access to Internet communications and promotion means that many businesses can operate from virtually anywhere

Factors Inhibiting Expansion

- Zoning that does not allow for additional business activities “on the farm”

Economic Impact Issues

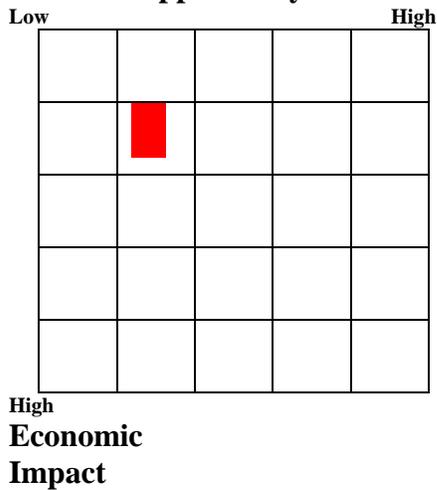
- The economic impact is little or none, if the on-farm business simply competes with another local business.
- The economic impact, including job creation, can be very substantial if the business leverages its very low operating costs, to create a significant export market for its products or services.

Growth Strategies and Actions:

- a) Economic development group to lead in identification of local businesses and entrepreneurs prone to expansion of their business
- b) Review the specific opportunities identified in Sections 7, 8, 9, and 10 of this study, and in particular, the opportunities identified in Section 8, based on a survey of are manufacturers
- c) Economic development group to lead in identification of external business groups with a potential business operation to locate in the Newsask region
- d) Economic development group to lead in strongly encouraging municipalities to adopt industry-positive regulations and zoning

Synopsis:

Business Opportunity



6.0 AGRICULTURAL PROCESSING

Overview:

The expansion of processing activities of agricultural products has been the topic of debate in provincial economic development circles for a number of years. At the core of the development opportunity is that processing closer to, rather than farther from, the source of supply would appear to make economic sense.

Until the past few years, however, progress in rural Saskatchewan was limited to a number of projects, most of that were smaller-scale with narrow markets. More recent developments have been beneficial from an economic impact standpoint. Two area processors are listed in the top twenty firms in the province. A number of other opportunities are being actively reviewed, with a propensity to proceed, if viable.

Such development would benefit the region for a number of reasons. The employment impact is substantial in that processing congregates a number of jobs in one central location, thereby benefiting specific communities. Processing activity is invariably an export function, thereby bringing in money from outside the region, adding to the area's income per resident. Such high-value activities on relatively small parcels of land have the added benefit of increasing the area's average income per acre as well.

Because of the high value of the addition of this type of activity, it should be recognized that the market for the attraction and expansion of agricultural processing activity is very competitive. In instances where public investment is necessary, there is often intense competitive activity from around the province, or often, from across the prairies to be the chosen location. Often, the result is decided based on factors other than those that are market-driven.

That being said, however, it is quite clear that the success of the Newsask region in being one of few rural areas of North America to retain almost all of its population base over the past decade, has been a function of non-primary business activity. Food processing has been, and should be in future, key to that development.

Ethanol

Background:

Ethanol is, without a doubt, perceived to be the number one opportunity for rural Saskatchewan today. The fact that the provincial government has received dozens of requests for funding for feasibility studies is indicative of the level of interest. It may also be an indicator of the fact that the interest level is somewhat ahead of itself, as only recently has the legislative environment shifted to enable this type of development in future.

Additionally, a number of key factors remain unclear. Despite the recent announcements by the provincial government about upcoming changes to the taxation and regulatory environment, that are critical to ethanol development, no specific timeframes were attached to the needed future changes.

It remains unclear as to which will be the favored development model. The model being promoted by groups such as Saskatchewan Agrivision foresees an ethanol plant attached to a cattle operation in order to be economically viable. These plants would be in the capacity range of 20 million litres of ethanol per year. A very different model has already been proposed in the Newsask region, that would see a 80 to 100 million litre capacity plant being built. Early indications are that the proponents see a large-scale project achieve sufficient operating efficiencies that the cattle operation, while beneficial as an add-on, would not be a requirement in order for the ethanol operation to be viable.

Key to the decision on which model will “win the day”, or where such plants might be located around the province, will be the issue of financing. Many of the expressions of interest around Saskatchewan have obviously not considered the degree and level of financing that will be required. Underlying some of these proposals appears to be an assumption that a substantial degree of government funding or government backing of risk capital will be involved. This may prove to be partially correct, as it has been indicated that the province’s Crown Investment Corporation will be a significant financial participant. Should that be the case, the dynamic of the site selection process may well shift, to include political considerations, in addition to market forces.

The economic impact of ethanol operations will be substantial. The development of such an operation in the region has several positive economic implications – jobs created, markets for local agriculture product suppliers, a source of supply for cattle operations, and export activity of major proportions.

Factors Enhancing Expansion

- Legislative changes that have paved the way for the development
- A track record of local investment in other industries can be parlayed into local investment in the ethanol industry
- The fact that the Newsask region has the capacity to act as a “region”, which will be vital to both the economic and political dimensions of the decision
 - In order to be viable at the lower end of the volume continuum, an ethanol plant requires a variety of inputs, which are in all likelihood, available only on a regional basis, as opposed to being available in one community
 - In order to be successful, should political considerations enter the decision model, the ability to illustrate “voter impact” will, for better or worse, be essential
- There appear to be no overall major regulatory or zoning impediments that will stall any potential project development
- Public demand and/or expectations position the ethanol industry as “the next project”
- The Government of Saskatchewan has publicly announced its “plan to grow a vibrant ethanol industry in Saskatchewan”
- The environmental benefits, in addition to the economic impact, provides additional impetus to development

Factors Inhibiting Expansion

- Timing may be an issue, as the legislative changes proposed do not have a specific timeframe
- Political realities may be an issue, in the event of substantial government involvement and a number of small plants being chosen as the model, as some other areas of the province may have more political impact than the Newsask region
- Raising investment capital for an industry that is virtually new is typically a challenge, thereby increasing the likelihood that some form of government backing will be needed, in turn leading to political considerations

Economic Impact Issues

- The ethanol industry ranks high on the impact scale because it is an exporter, an employer, a customer for local production and a supplier for locally used products
- Based on extensive study of the Minnesota ethanol industry, an ethanol plant could provide very significant economic benefits. (Note: the Minnesota study was based on annual capacity of 900 million litres per year, versus the 220 million litres per year for the province, as projected by Saskatchewan Agrivision)
- On a prorated basis, based on some Minnesota models, assuming an ethanol plant capable of producing 20 to 30 million litres per year:
 - \$14 to \$20 million of capital investment in the plant itself for construction and equipment. The relatively small plant size could push per unit costs higher.
 - Over 100 new jobs encompassing all production, construction and support services for the plant and feedlot.
 - Because this is an export activity, the multiplier effect would economic activity through such sectors as agriculture, manufacturing, transportation, wholesale and retail trade, services, utilities, finance, insurance and real estate.

Potential Business Scenario:

As stated, there is some uncertainty, at present as to which “model” will unfold throughout Saskatchewan. While much discussion has focused on having either large scale plants, in the 80 to 100 million litre per year range, or smaller operations in the 20 million litre per year range, it is eminently possible the province will see a combination of the two. This will depend on the degree to which some of the plants export outside provincial borders.

Using one model, that being a scenario commonly discussed by both the provincial Department of Agriculture and Saskatchewan Agrivision Corporation, can provide a sense of the strong economic impact created in a region. The economic impact figures used below have also been either verified or modified, based on analysis of several years of operation of a number of plants in Minnesota.

A 20 million litre ethanol facility, combined with a 10,000 head feedlot would require total capital investment in the range of \$30 to \$35 million. Assuming that debt financing would cover between 60% and 80% of the total capital cost, a range typically seen in ag-related projects around the province, the total investment capital required would be in the range of \$6 million at the low end and \$14 million at the high end.

Even at the low end of \$6 million in required equity, considerable work will be necessary to acquire this level of investment. The clear lesson from other projects in the region, and from other parts of Saskatchewan is that the majority of the investment must be local, in order to provide a comfort level for an outside investor. Assuming that the community or owner will have to raise approximately 50% of the required equity to entice an external investor, between \$3 million and \$7 million would have to be raised in the region.

Again, experience around Saskatchewan indicates that a smaller number of people investing a larger amount per person is preferable to the opposite scenario. One approach would be to target 100 investors at \$20,000 each to raise the first \$2 million, with the remainder from smaller investors. This model also fits with the issue of supplying feed grain to the ethanol operation. One estimate points to a need for approximately 75,000 acres of grain production for this scale of ethanol operation and feedlot. With 100 primary investors who would have first “right of sale” to the plant, each would be in line to use about 750 acres of their production for this purpose.

A combined ethanol plant and feedlot of this scale would require a number of inputs from producers and businesses in the area. Again, it is assumed that investors would be first in line to sell to the plant and feedlot.

A total of 3,900,000 bushels of feed grain, with the final total depending on the mix of oats, wheat, barley or peas used, representing roughly \$9 million worth of area feed grain would be purchased by the ethanol / feedlot operation.

The feedlot operation itself would require almost 5,000 bales of bedding straw per year. In addition, the market for trucking services would expand significantly, with a requirement for approximately 1,300 semi-trailer loads per year.

Of great importance is job creation. While the ethanol plant would require approximately 12 to 15 people, the feedlot operation would need an additional 12 people. Since the output of the plant and feedlot would be an “export” from the Newsask region, the economic impact is highest, and the multiplier effect is greatest. Additionally, it should be noted that a number of these new jobs would be either management positions or highly skilled jobs, again increasing the economic impact.

While, in some manufacturing operations a multiplier of 1:1 is used, this typically assumes that the majority of inputs are purchased outside the region. In this case, however, the inputs are largely from inside the region, creating additional income for farmers, for example, or increased demand for trucking services.

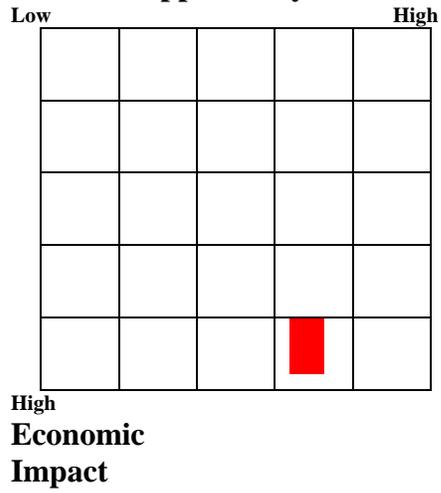
Therefore, it is reasonable to assume a multiplier effect in the order of 3:1. As a result, the total employment impact of the plant and feedlot used in this case model, on the area of the Newsask region in which it would be located, would be in the order of 27 direct jobs and 81 indirect jobs, for a total employment count in excess of 100 people.

Growth Strategies and Actions:

- a) The ethanol opportunity is one that must be approached on regional basis, for a variety of reasons
- b) The economic development grouping that most closely reflects the geographic makeup of the area that is affected, through investors, suppliers and plant location should take a lead role on this issue
- c) The political dimensions to this opportunity are critical. Therefore, it is essential for the project proponents, with the economic development group, continue to indicate the merits of the project in this location to people such as the Minister of Agriculture, the Minister of Industry and Resources, Industry and Resource Field Staff, the Premier, the President of Crown Investment Corporation, Minister of Crown Investment Corporation and MLA’s from the Newsask region.
- d) Given the likelihood of the project proceeding in the region, in some form, action toward attracting local area investment should begin. This will be a vital sign of interest, and can be used to illustrate the importance of the project to the region.
- e) Additionally, investment appears to be possible under either of the two primary models being discussed. Therefore, it would be wise to assume time is of the essence in commencing the investment campaign.
- f) Ensure the existing and proposed feedlot operators in the area are in communication with the key player or players on the ethanol plant

Synopsis:

Business Opportunity



Bio-diesel

Background:

Fuels that are derived from renewable biological resources for use in diesel engines are known as bio-diesel fuels.

These include animal fats and vegetable oils derived from crops such as soybeans, canola, corn and sunflowers. Tall oil, produced from wood pulp waste, is another feedstock source for bio-diesel processing. Bio-diesel can either be used in its pure state or can be blended with conventional diesel fuel derived from petroleum.

The prices of feedstock used in the production of bio-diesel, as compared to current and future market prices for petroleum are the key determinants in the feasibility of bio-diesel.

The economics of bio-diesel production have deteriorated since 1994 for two main reasons. Low agricultural commodity inventories and increasing demand for grains and oilseeds has resulted in a sufficient increase in commodity prices in the past two years that alternative uses have declined as an active consideration.

Although there have been indications of potential test use by municipalities, the product remains a long distance from commercial application.

The primary issue, however, is that petroleum prices have declined several dollars per barrel since their peak in late March 1996, outside of one price run up in 2001, which has since dissipated. According to a number of studies, the price of oil would need to be in the \$40-\$50 U.S. range, in order to make bio-diesel viable without any government subsidies or mandated use legislation.

Factors Enhancing Expansion

- The continued expansion of the “greening” of fuel consumption
- The availability of raw materials, in large quantity in the Newsask region

Factors Inhibiting Expansion

- The production cost gap between petroleum and bio-diesel
- A lack of opportunities for mandated public sector use for bio-diesel in Saskatchewan, relative to larger metropolitan centres where, for example, public bus systems would be a common “first foray” into bio-diesel use
- High market risk combined with initial capital costs for construction of processing facilities

Economic Impact Issues

- Enhanced use and a value added component for a number of oilseed crops
- Job creation, processing activity level increase, economic multiplier effect

Synopsis:

Business Opportunity

Low High

High
**Economic
Impact**

Food processing

Background:

Much has been said and written about the issue of expanding the food processing capacity of Saskatchewan, to take advantage of proximity to key raw materials, and to enhance the economy by moving more of the province's activity "further up the value chain".

The value attached to the growth of this sector is evidenced by the existence of a wider range of provincial government funding and support programs than exists for virtually any other sector of the economy.

As was stated, of 81 manufacturers and processors located in the Newsask region, as listed in the Saskatchewan Manufacturers Guide, 27 are related to some form of food or agriculture product processing. It is highly likely there are other smaller food processing business operations in the region that if known, would add to these numbers.

Progress in the development of the sector has been achieved in the Newsask area, with two of the region's food processors, CanAmera Foods of Nipawin and Thomson Meats of Melfort listed in the "Top 20" food processors in Saskatchewan.

Given the positive impact of the sector – using raw product grown in the region, adding "revenue per acre", creating employment and exporting, and thereby creating wealth in the region – further development is essential.

In economic development, there are typically two sources of manufacturing and processing growth – internal expansion and external attraction. This sector, like manufacturing activity, has a history of local origins. That is, much of the growth is the result of the expansion of a local operation or activity, as opposed to the attraction of a company from outside the borders of the region. Therefore, it is reasonable that the majority of efforts should focus on the encouragement and development of business opportunities that originate with local interests. This does not, of course, preclude the active participation of external groups, once the opportunity is defined.

Factors Enhancing Expansion

- Extensive financing and support programs for food processing activity
- Access to a wider range of raw agricultural materials than is in existence in many other parts of Saskatchewan, given the diversity of i.e. cropping patterns
- The emergence of specialty livestock operations
- The growth of the beef industry
- A history of relatively large scale food processors being located in the region
- Transportation costs out of Saskatchewan tend to be very competitive, due to backhaul capacity
- An area history of investment by residents in others' business ventures

Factors Inhibiting Expansion

- High capital costs required for most food processing facilities
- The challenge in attracting key skills and technical capabilities to rural regions
- The ability to find the market knowledge required for successful marketing, combined with the technical knowledge necessary for successful processing operations
- Given the likely small size of a new food processing facility, it will undoubtedly be directed to a niche market, which are much more challenging to locate, and to gather sufficient information with which to make the required business decisions
- Transportation costs to final markets can be prohibitive, relative to potential suppliers located closer to final markets

Economic Impact Issues

- As with any other manufacturing or processing activity, job creation capacity is substantial
- The enhanced use of raw materials creates added value to producer efforts
- The “revenue per acre” equation is again improved
- Any such operations will be, by definition, exporters to areas outside the region, the province or even outside the country, thereby creating additional wealth in the Newsask region
- The ability to add significantly to the area’s food processing reputation will be of definite assistance in forming recognition for the region that it is home to value added activity, which will, in the longer term, increase the ease of attracting workers and residents

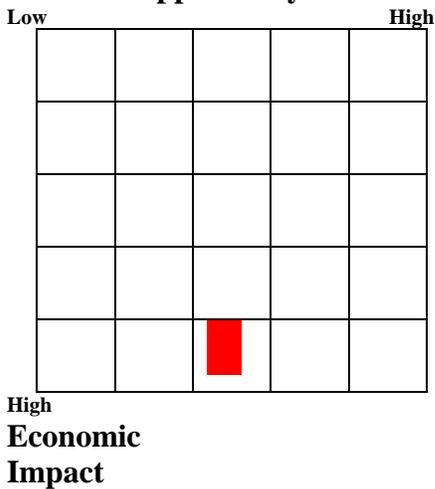
Growth Strategies and Actions:

- Economic development offices in the region should undertake:
 - a) Identification of local businesses and entrepreneurs prone to expansion of their businesses
 - b) Identification of external business groups with a potential business operation to locate in the Newsask region
 - c) Encouraging municipalities to adopt industry-positive regulations and zoning
 - d) Identify key skills required for these industries and develop a program to attract those with the needed skills to the region, for several employers concurrently
 - e) Identify areas of the Newsask region that are prone to be receptive to agricultural processing industry expansion
- Business owners and prospective food processing company owners should undertake:
 - f) Identification of core competencies and skills that can be levered into either new or expanded food processing companies
 - g) Identification of trends in the food processing industry
 - By way of example, Saskatchewan companies have successfully created and expanded food processing companies, typically using locally grown primary products in areas such as the following:
 - Processing of a range of seeds for markets ranging from human consumption to animal applications

- Organic products which are emerging as a “brand”, attracting higher pricing in many cases, than non-organic foods
 - Specialty livestock products that range from bison as a meat product to emu oil for skin care
- h) Evaluate the use of locally based or externally based trading houses. Most food processors are not of sufficient size to undertake their own export marketing, and as a result, trading houses, while they typically charge a percentage of sales as a fee, can provide international expertise that is often not resident within a company that has operated only locally before.
- i) Utilize the services of key industry associations that are dedicated to expansion through export and external sales, including the Saskatchewan Trade and Export Partnership and the Saskatchewan Food Processors Association.

Synopsis:

Business Opportunity



Nutraceuticals

Background:

Natural Health Products (NHP), nutraceuticals and functional foods represent one of the fastest growing markets in the developed world, according to the Saskatchewan Nutraceutical Network.

There are several product categories within this area, according to Health Canada and sourced from the Saskatchewan Nutraceutical Network:

A nutraceutical is a product that has been isolated or purified from foods and generally sold in medicinal forms not usually associated with food. These have been shown to exhibit a physiological benefit or provide protection against chronic disease.

A functional food is similar in appearance to a conventional food and is consumed as part of the usual diet, but again has demonstrated physiological benefits, and/or reduces the risk of chronic disease.

Dermaceuticals are naturally derived plant or animal extracts that are used in skin care products, which when applied topically, have medicinal properties.

Current world consumption of natural health products (NHP), nutraceuticals and functional foods is estimated to be between \$70 and \$250 billion annually depending upon the product categories that are included in the statistics.

Factors Enhancing Expansion

- The ability to undertake direct marketing, if applicable, is eased through Internet access in rural Saskatchewan
- There is strong growth in the various components of the global nutraceutical market

Factors Inhibiting Expansion

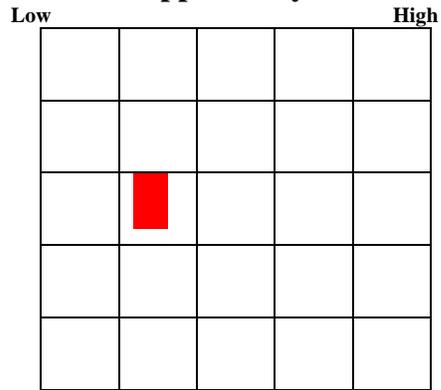
- Proximity to markets is a disadvantage for a rural area, but given the relatively high value / low weight nature of the product, it is not as critical as in some other sectors
- Market knowledge and, often, extensive funding is required in order to undertake the development of a product from emerging markets such as nutraceuticals
- Much of the industry is research based, and therefore, a lack of proximity to primary nutraceutical research located in major cities, as it tends to be, detracts from constant access to this knowledge base

Economic Impact Issues

- Like manufacturing and processing, this sector has the capacity to enhance area income, create export-based wealth and moves the production of products further up the value chain
- Typically, the number of people employed in the sector is lower than is the case for other manufacturing and processing activities, relative to e.g. sales revenue

Synopsis:

Business Opportunity



High
**Economic
Impact**

Aquaculture

Background:

The aquaculture industry is one that has been the subject of some conjecture and preliminary analysis over the past few years. The premise appears to be that it is “simply another sector in the agriculture business”.

Most of the review of the possibility, however, tends to have focused more on the potential to incorporate processing, as opposed to mass producing raw product for processing elsewhere.

The industry statistics tend to prove out the perception that while there has been growth, there have been accompanying fluctuations in pricing, depending on the type of fish being processed, and therefore, depending on the part of the country in which the financial results are being reported.

Leading up to 2000, the industry continued its growth pattern, but at a slower pace. Industry revenues totalled \$674 million. The share contributed by Saskatchewan sources was sufficiently low that it is not listed in the provincial breakout.

Factors Enhancing Expansion

- Industry growth has continued despite well publicized problems within the industry
- Substantial support is available to processors, as is the case for several other processing industries

Factors Inhibiting Expansion

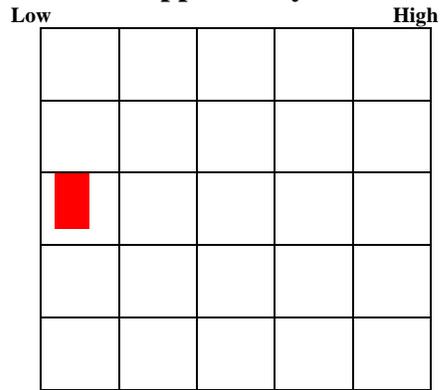
- Market volatility would increase the apprehension of investors
- Substantial capital investment would be required, relative to some other provinces, increasing the risk
- Lack of proximity to final markets and related industry activities decreases ongoing access to market information

Economic Impact Issues

- If successful, the industry would increase the value-added processing activity in the province, provide export activity and create processing jobs.

Synopsis:

Business Opportunity



High
**Economic
Impact**

7.0 MANUFACTURING

Background:

Manufacturing activity is vital to the Newsask region. In fact, it would not be an overstatement to credit the sector for much of the population retention that has occurred in the area.

As farm sizes have constantly increased, the natural outcome is a reduction of the number of people living in the Rural Municipalities throughout the Newsask region. This is borne out by the population totals in R.M.'s which have continued to drift downward over the past decade, despite overall totals remaining quite constant.

The Saskatchewan Manufacturers Guide contains a total of 81 businesses listed as manufacturers or processors. The net, after removing 27 companies whose products are related to agriculture, is 54 other manufacturers. The Manufacturers Guide tends to focus on larger, rather than smaller companies.

That is one primary reason for the difference between its conclusion and the totals provided by the Cumberland Regional College 2001 – 2002 Needs Assessment Report, which lists the total number of manufacturers in the region, as 112. About one-half of those companies are one to four employee companies, and are therefore, typically not included in the Manufacturers Guide. As well, the Cumberland report does not distinguish between manufacturing and processing activity.

The total employment created by the 112 companies in the Cumberland Regional College report is approximately 2,250. Using even a low multiplier effect of 2.5 for manufacturing activity, the net result is over 7,000 people working in the Newsask region because of manufacturing and processing related activity.

It is worth noting that manufacturing companies in the Newsask region, including Northern Steel, NuForm Packaging, Double L Welding, Doepker Industries, the Bourgault group, and many more of the long list of the region's manufacturers have one very important characteristic in common – all are local people who have started a manufacturing company in the region.

This is not particularly unique. Even in larger centres such as Saskatoon, not all, but the majority of the manufacturing sector originated from a local entrepreneur. A relatively small percentage of this sector was “attracted from the outside”.

While it has been possible for this report to analyze various subsectors in the previous sections, the nature of manufacturing, and particularly, manufacturing activity in rural Saskatchewan, with its unique attributes does not permit this same type of subsector focus.

Manufacturing expansion is more typically brought about, particularly in rural Saskatchewan, by the identification of opportunities by persons with specific core competencies. More often than not, these opportunities are presented through work already being done, often by a sole owner business, first undertaking service work, for example, and converting that into a mass production opportunity.

Factors Enhancing Expansion

- The experience base of the Newsask region where manufacturing has proven to be a key component of population retention
- The “innate” ability of area residents in machining, welding and fabricating
- The range of manufacturing “success stories” in the region
- Low costs of operations in rural areas
- The availability of some inventory of buildings in some of the Newsask area communities
- Some degree of government financing assistance is available for rural based manufacturing

Factors Inhibiting Expansion

- Financing the expansion of an operation requires substantial equity in forms that often disregard the value of the company’s reputation
- Attracting investors in a small business expansion is typically more challenging than attracting investment into a new, larger business
- The amount of qualified, interested labour that would be critical to a new or expanded manufacturing business is unknown
- It is challenging to entice key individuals with specific skills to move to communities in rural areas
- The ability to develop the manufacturing sector through expansion tends to be reliant on the interest of individual owners

Economic Impact Issues

- The jobs that are created are export related, creating “real wealth” in the community and area
- Manufacturing is, by definition, export past the region’s boundaries, again creating “real wealth”
- The retention of younger people with manufacturing related skills is increasingly possible with the expansion of manufacturing activity
- “Critical mass” becomes a very important issue in attracting employees, in that the more companies that are located in a particular area, the easier it would be for them to move to a different company, and therefore the more likely it would be that they would move to that area, given the additional opportunities

Growth Strategies and Actions:

There are a number of steps that can be taken, which are conducive to the expansion of existing manufacturing operations and the start up of new manufacturing activity.

The steps which should be undertaken by Economic Development personnel includes:

- a) Ensuring that zoning requirements are conducive to the encouragement of manufacturing activity.
- b) The establishment of an industrial park can often be accomplished through zoning changes at very minor cost.
- c) Attempt to ensure that such an industrial park contains both serviced and unserved, and therefore much cheaper land, in order to accommodate businesses that require large tracts of land for e.g. storage, relative to the amount of space required for the manufacturing shop itself
- d) Some municipalities and jurisdictions create a “special tax” or “tax free” region within their area for purposes of attracting manufacturing activity, recognizing the wealth creation impact and the multiplier of manufacturing / export business activities
- e) Communicating to regional industrial business owners that such conditions are in place in the community or region
- f) Directly canvassing each small repair, fabricating, welding, machining and production business in the immediate vicinity to assess the owner’s interest in expanding the business through mass production
- g) Identifying, through the active participation of the regional college, the training requirements that are required, and will be required in future, so that the college can address skills shortages ahead of time
- h) Develop an inventory (such as the one contained in this document) of existing buildings that are available for manufacturing use, and are currently on the market, as economic development practice has illustrated that reducing the capital cost of buildings has a positive effect on the likelihood that a manufacturer will proceed
- i) Identify the available labour pool, whether that labour pool is currently not employed, or whether it is employed but contains persons who are interested in manufacturing work to supplement e.g. farm income
- j) A targeted campaign to attract workers with specific manufacturing skills to the region will be an important step in expansion of the sector.

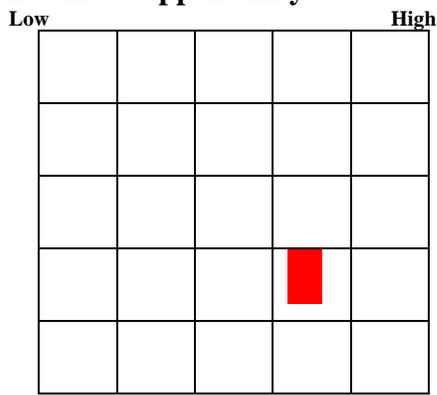
It is evident that the focus of the above steps, which are commonly undertaken by economic development agencies in larger centres, is on the “supply” side, as opposed to the “market” side. Again, the experience of economic development groups in larger centres finds that manufacturers have a strong sense of the market, or they would not be pondering the new initiative. The focus of the local area, then, should be on ensuring that the manufacturer can operate efficiently, at low cost, with maximum inputs within easy access, as those manufacturers are competing against companies across Canada, or in other parts of the world, often with very low cost bases.

There are also actions that should be taken by the owners of manufacturing companies, including:

- k) Gather statistics on the specific manufacturing opportunity, from a range of sources
- l) Identify trends where local skills match up with national or international trends
- m) Assess the availability of local, qualified labour, referring to the work in this regard being undertaken by region economic development groups
- n) Assess transportation access, particularly, access to any increased level of trucking activity headquartered in the region
- o) Wherever possible, utilize existing buildings, such as those identified elsewhere in this study
- p) Work with the economic development groups on the human resource issues, identifying beforehand, the skill requirements for which a communications campaign should be targeted.

Synopsis:

Business Opportunity



High
Economic
Impact

8.0 MANUFACTURING AND PROCESSING SERVICES

Background:

Key to capturing the full benefit of the manufacturing and processing activity that takes place in a region is the ability to provide services to those sectors. Just as the direct jobs provide a noticeable and direct positive effect on the population and taxation base, so can the jobs created through a healthy services sector.

Even if not as noticeable, the manufacturing and processing services sector plays somewhat the same role. In many cases, the sector plays an “import replacement” role. That is, rather than having the area’s manufacturers and processors leave the region to purchase supplies and services, as many of those as possible are provided within the region, thereby “replacing” the external purchases, and thereby creating the jobs within the region.

Typically, the welding, machining and fabricating sectors are prime candidates to expand their base of operations by becoming service shops for the manufacturers in the area.

There are however, many other services purchased by primary manufacturing and processing industries including the following, which are listed to provide concrete examples of how the service industry has expanded to capture more of the economic activity caused by manufacturing and processing, “right at home”. Typically, these service opportunities include, but are certainly not limited to:

- Recycling
- Waste management
- Shop clothing and uniform cleaning services
- Printing services
- Computer supply and maintenance services
- Advertising and promotional services
- Warehousing
- Transportation services
- Shop supplies
- Specialty machining and fabrication services
- Transportation maintenance and repair services
- Logistics management
- Multi-media

However, it should be recognized that each purchase by a manufacturer or processor that does not leave the area is the equivalent of one export sale.

Newsask Area Manufacturing Services Opportunities Survey:

Discussion was held with a number of the larger businesses in the region. These are manufacturers or processors, and all are exporters. Their markets lie anywhere between outside Saskatchewan and global markets.

While the survey respondents do not wish to have their specific plans outlined in a public report, they are very willing to offer commentary on what they believe are opportunities for new business operations in the region.

One common trait of all persons interviewed is a sincere desire to purchase goods and services from within the region, fully understanding that to do so might cost slightly more, but that it would be worthwhile from an economic contribution standpoint.

It should be noted there is some degree of understandable reluctance to provide specific detail about the growth and expansion plans of their individual companies, for competitive reasons. However, in course of these discussions, a number of specific opportunities become apparent, including the following:

- a) Computer services and network services: These companies being larger entities have a requirement for internal computer and networking facilities, as well as those computer services relating to communication with external markets. In today's communication driven market, there is demand on the part of many of the larger businesses and manufacturers for these services. A regional approach would undoubtedly be required to amass sufficient critical mass to enable a business of this type to succeed.
- b) Machine shop services, particularly with CMC capacity, are in demand in the area.
- c) Trucking services are often purchased from outside the Newsask area, although most of those surveyed would prefer to purchase from inside the Newsask region, if available. As identified in the section of the report relating to Trucking Services, the single largest constraint on trucking expansion is the availability of persons with the Class 1A license designation. Additionally, the rural areas have a higher than proportionate number of persons with this license designation and sufficient truck driving experience. In the same way that many manufacturers rely on area farmers to fill out their workforce, as they work for the manufacturer for portions of a calendar year, the same could be applied to the trucking sector, and through that method this transportation need could be addressed.

- d) Demand for transportation maintenance will grow with the level of manufacturing activity, as it will should entrepreneurs follow through on the opportunity identified in Section 9 of this study, which deals with the opportunities for expansion of trucking services throughout the region.
- e) Printing and promotional opportunities exist within the region, in order to satisfy the needs of area manufacturers. Given the nature of the manufacturing sector, such requirements are often “at the high end” of print needs, for example, as manufacturers / exporters typically target a smaller number of final customers, but need to do so in a highly professional manner. This is an emerging opportunity, as well, because of technology changes that no longer require equipment that is geared to long runs of high quality print and graphics material. The emerging “desktop” nature of printing is moving this opportunity ahead because large quantities are no longer need to produce high quality work.
- f) Shop supplies are often being purchased from outside the region. Again, it is the preference that supplies ranging from shop materials to uniforms to fabrication materials be purchased locally. To do so, a business would undoubtedly have to define their territory as all of the Newsask region, and likely beyond. The critical mass of manufacturing activity in the northeast does lend itself to looking at the region as a standalone market.
- g) Personnel requirements for many manufacturers continue to be acute. In particular, trades are in constant demand, with some companies operating consistently at an understaffed level. Just as there is a demonstrated need for executive search firms in the broader marketplace, there is an opportunity for a specialized “trades search” business enterprise that would have many immediate customers from area manufacturers.

Target Customers for Manufacturing Services:

Below are a number of manufacturing and processing companies located in the Newsask region. The companies below are from the Saskatchewan Manufacturers Guide, available from the Saskatchewan Industry and Resources Department, as well as local area market knowledge.

It will undoubtedly be necessary, again, to treat the entire Newsask area, as a “customer zone” in order to amass the necessary volume of business to achieve viability. The companies below should be viewed by a business planning to provide manufacturing services as a prospect list.

Company	Location
Doepker Industries Ltd.	Annaheim
Arborfield Dehy Ltd	Arborfield
Arborfield Meats	Arborfield
Double L Welding	Archerwill
Dartmore Farms Ltd.	Aylsham
Custom Knives by Roy G. Shiller	Carrot River
Lefebvre & Scarf Custom Packers	Carrot River
Mazurek Industries Ltd.	Carrot River
Premier Horticulture	Carrot River
Bonnie Bailey Pottery	Choiceland
Linda Rigg	Choiceland
Koenders Mfg. (1997) Ltd.	Englefeld
Oakland Millworks Ltd.	Englefeld
Schulte Industries Ltd.	Englefeld
Hudson Bay Dehydrators Mutual Ltd.	Hudson Bay
Jaddco Marine Ltd.	Hudson Bay
Jen's Custom Creations	Hudson Bay
K & S Concrete	Hudson Bay
K.O.K. Enterprises	Hudson Bay
Lorne's Welding & Fabricating Ltd.	Hudson Bay
Post Review (1990) Ltd.	Hudson Bay
Weyerhaeuser	Hudson Bay
Drummond Lumber	Kelvington
North East Chronicle	Kelvington
Kinistino Meats	Kinistino
Townside Enterprises Limited	Kinistino
Yeager's Quality Meats & Sausage	Lake Lenore
D & A Halland Co.	Love
Dobson Arc Welding Ltd.	Melfort
Federated Co-operatives Ltd.	Melfort
Froc Industries Ltd.	Melfort
G P Fiberglass Ltd.	Melfort
Golden Grain Bakery Ltd.	Melfort
Gordon Redi-Mix Ltd.	Melfort
M & K Welding	Melfort
Melfort Journal - Bowes Publishing Ltd.	Melfort
Paradise Plumes	Melfort

Plus Industries Inc.	Melfort
TML Foods	Melfort
Berry Hills Acres	Naicam
Marg's Crafts	Naicam
CanAmera Foods	Nipawin
Family Bakery Ltd.	Nipawin
Gane Apiaries Ltd.	Nipawin
Hamilton's Bee Ranch Ltd.	Nipawin
Handi-Works	Nipawin
Holmes Redi-Mix Ltd.	Nipawin
Honeywood Candles Inc.	Nipawin
Lecuyer Welding & Machine	Nipawin
Newfield Seeds Company Ltd.	Nipawin
Spectrum Advertising	Nipawin
Westside Welding & Machining Ltd.	Nipawin
7 Oaks Manufacturing (2001)	Pleasantdale
Glendenning Apiaries	Pleasantdale
Porcupine Opportunities Program Inc.	Porcupine Plain
Vaughn's Meats & Abattoir	Porcupine Plain
Neil's Welding & Manufacturing	Spalding
Aessie Industries Ltd.	St. Brieux
Bourgault Industries Ltd.	St. Brieux
CNC Precision Profiles Plus	St. Brieux
Daleco Industries Ltd.	St. Brieux
E & A Meat Market Ltd.	St. Brieux
F.P. Bourgault Tillage Tools Ltd.	St. Brieux
Free Form Plastic Products Inc.	St. Brieux
Jan's Upholstery and Design	St. Brieux
Mumby Manufacturing Ltd.	St. Brieux
Michel's Industries Ltd.	St. Gregor
Prime Meats Ltd.	St. Gregor
Western Industries Division of CIM	St. Gregor
Fred's Repair & Upholstery Ltd.	Tisdale
Golburn Valley Oil Mill	Tisdale
Gourmet Ventures Inc.	Tisdale
Little Redi Mix Ltd.	Tisdale
McEwan Machining Ltd.	Tisdale
Northern Steel Industries Ltd.	Tisdale
Nuform Packaging Inc.	Tisdale
Pasquia Publishing Ltd.	Tisdale
Tisdale Alfalfa Dehy Ltd.	Tisdale
M & M Garlic	White Fox
Munro's Quality Meats Ltd.	White Fox
Poplar Valley Organics Inc.	Zenon Park
Top Notch Pallet Systems	Zenon Park

Factors Enhancing Expansion

- In some cases, the expansion of service provision is simply an extension of a current business and therefore requires little additional investment
- The experience of a business owner can typically be extended to a related area with little additional information required
- The “innate” ability of area residents in machining, welding and fabricating, as primary areas in which services can be expanded to manufacturers and processors
- Low costs of operations in rural areas means that service suppliers can be very cost competitive, especially against suppliers from centres where costs are higher
- The government financing assistance programs that are available for rural based manufacturing and processing can, in selected cases, be applied to service provision

Factors Inhibiting Expansion

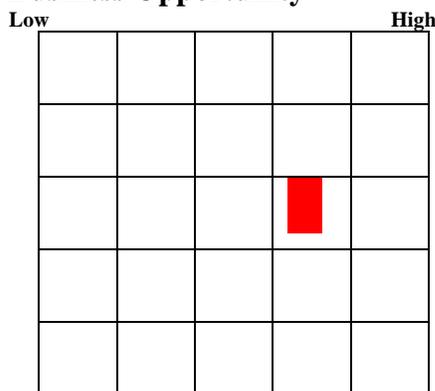
- Determining service provision opportunities would require direct canvassing of the manufacturers and processors in the area
- Some manufacturers and processors have a bias toward retaining their current supplier, even if outside the region, to minimize the inherent risk involved in changing suppliers
- Supplying services to manufacturers and processors is seldom viewed, by the public, as an “export” equivalent, and therefore is not deemed to have the same value

Economic Impact Issues

- The jobs and the economic impact that are created are, in fact, an export equivalent, creating “real wealth” in the community and area
- The service opportunity increases the likelihood of individual business success

Synopsis:

Business Opportunity



Economic Impact

9.0 TRANSPORTATION

Background:

In addition to its role as a service provider, in the previous section, the transportation sector, and the trucking industry in particular, have some unique opportunities in the Newsask region.

The increase in the trucking market has grown markedly, of course, with the changes in the grain industry. Less rail capacity overall, in Saskatchewan, has resulted in substantial growth in the provincial trucking sector. There is likely little potential growth for the Newsask area trucking firms in this particular area, however, other than replacing trucking services currently purchased from outside the area with those provided by trucking firms located in the Newsask region. In that manner, the effect would be “import replacement”, as described in the prior sector.

One attribute of the trucking industry, that is more the case than in many other sectors, is the acute shortage of personnel that has been a fact of life for the industry for many years. In Saskatchewan, several trucking companies have equipment that is not in use because this shortage of qualified transport operators has reached new heights.

The other relevant factor is that many of the persons who do earn their Class 1A license are from the rural areas of the province. Registration at truck driver training schools bears this out.

In the same way that much of the workforce of the rural manufacturing sector comes from the farming community, in their bid to earn additional income, it is very possible the same process could be applied to the expansion of the local trucking sector. Given that the incidence of holding a Class 1A license is much more prevalent “on the farm” than it is in the city, the opportunity for expansion of rural based trucking services is likely than is the case in the cities.

Therefore, rural trucking firms would have not only the opportunity to compete effectively for the trucking business available from manufacturers and exporters in the region, they further have the opportunity to compete effectively with trucking firms located in the cities. Given the distances involved in long distance trucking, the additional hour or two from Saskatoon, for example, is a relatively small element of the overall picture.

Factors Enhancing Expansion

- The incidence of Class 1A licenses, the biggest single impediment to trucking company growth, is higher in rural areas
- Being “closer to the customer” inside the region is important to some potential customers
- In some cases, the expansion of trucking service is but an extension of their current business and therefore no additional “learning curve” is involved for the company owner
- The “Saskatchewan work ethic” is most alive and well in rural Saskatchewan, an attribute vital in the trucking industry where “employees” work independently and unattended

Factors Inhibiting Expansion

- Determining the number of potential operators would require a canvass of the area by trucking companies
- Being in the trucking business does not appeal to some people
- The fact that the new operators would be “part time” creates scheduling issues

Economic Impact Issues

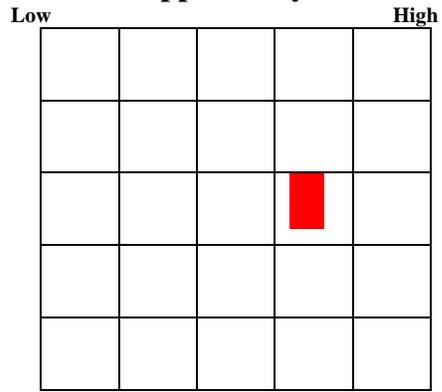
- The jobs and the economic impact that are created are, in fact, an export equivalent, creating “real wealth” in the community and area whenever trucking services provided locally whenever they replace externally provided services
- The “average income” of area residents increases

Growth Strategies and Actions:

- a) A canvass of larger companies in the region, such as that done for this study, will quickly identify the amount of trucking business that is going outside the Newsask area due to a shortage of even small to mid sized trucking firms in this region.
- b) A canvass of area residents will gather the following key data:
 - Persons with a Class 1A drivers license
 - Persons with short haul transport experience
 - Persons with long haul transport
 - The number of persons available as operators or as contracted owner-operators for all or part of each calendar year
- c) While equipment requirements can be addressed, the strategic advantage of a trucking business start up or expansion from the Newsask area will be the relatively good availability of trained and skilled transport operators.

Synopsis:

Business Opportunity



High
**Economic
Impact**

10.0 TOURISM

Background:

The tourism market is one in which there has been great progress over the past few years. Much of this achievement can be attributed to one process – regional co-operation.

The focus on development of tourism packages on a regional basis is not unique to the Newsask area or Northeast Tourism, however. This is the direction in which virtually every other area of the province, and in fact, almost every tourism destination in North America, is moving.

They have obviously concluded that attracting people to an area is good. Keeping them there for longer is better. Keeping them there for longer and helping them spend money in that area is best of all. This addresses one of the key criticisms of the tourism industry in general, and that is that it has traditionally focused far too much on mere numbers of people “through the area”, often even if they were residents of that same area, and insufficiently on the economic impact of those visitors.

The Newsask area, in general, has worked toward the creation of several “destinations” within the region. Increasingly, tourism facilities and attractions are being linked together, again for the purpose of encouraging longer stays, with greater economic impact.

One concrete result has been on the investment side. The Nipawin region, for example, has witnessed the number of facilities listed in the Saskatchewan Accommodation Guide increase from 11 to 25 in the course of only five years. This reflects two key issues – an actual increase in local investment and greater interest on the part of local tourism participants in being part of the “larger package of tourism offerings”.

The continuing increase in interest in eco-tourism and related attractions continues. To that end, there are several opportunities that arise. The further expansion of “tourism packages” is one of those. This involves taking the current inventory of facilities and including more of them to create bigger packages. The second step is the development of additional facilities. This could include, by way of example, the creation of a significant eco-tourism and cultural tourism facility at Cumberland House.

This expansion of the “tourism product” should also include the encouragement of entrepreneurial developers to expand the inventory of accommodation at or near tourism attractions. To do so, however, will require that the tourism season is extended. To that end, considerable attention is already being paid to the development of “winter tourism”. The accomplishment of that element of the tourism package will greatly enhance the prospects of further investment, in addition to creating year around employment opportunities for those in the sector.

One additional opportunity has emerged, and it involves a very distinct branding of the “northeast”. It is best illustrated by a recent set of advertisements run by Elliot Lake, now a retirement development after it was closed down as a mining town.

Their advertisements depict, in vivid detail, popular destinations such as Florida and Mexico being ravaged by hurricanes, storms and rain. Contrasted with this is video footage of the serene, peaceful setting of Elliot Lake.

That same contrast is available to the tourism industry in the northeast, where its strong attributes include serene settings, eco-related tourism and a wealth of “space to yourself”. A video shot of the lineups and crowds at e.g. Disneyland would provide stark contrast.

This would also fit with the demographic trends that see baby boomers closer to retirement age, therefore less likely to “fight the crowds”, and provide communities in the Newsask region with a “foot in the door” when those same retirees decide where to live in retirement.

Factors Enhancing Expansion

- The success to date in tourism development provides a springboard for additional, focused activity
- The promotional efforts of provincial and federal government bodies provides some backup support
- The increase in private sector investment in the industry can be touted as evidence that the growth is real
- Demographic trends are in favour of what the region offers – including a quieter, more serene, and yet, more upscale environment.

Factors Inhibiting Expansion

- There remains a perception that tourism is overrated as an industry sector in terms of its economic impact
- There remains the perception that tourism is home only to low paying, short term jobs
- Provincial funding on the promotional side has not kept pace with requirements
- Some areas of the Newsask region do not see tourism as a particularly important sector

Economic Impact Issues

- The sector is an export industry
- The creation of a large number of jobs is a positive sign for the industry
- The relatively low wage structure of many of those jobs, although this is the norm anywhere in the tourism industry, decreases the economic impact
- The private sector continues to show some reluctance to invest, and often public funding is the only available alternative
- Public funding for new or expanded facilities is in short supply

Growth Strategies and Actions:

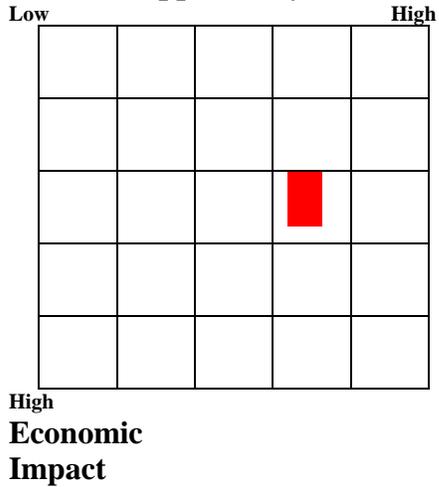
The norm for many tourism facilities in the province over the past decade is to experience constant shortfalls for development. In general, government sources for tourism expansion have declined. Therefore, tourism attractions, facilities and developments around Saskatchewan have been forced to evaluate and adopt new financing techniques. These include:

- a) Lifetime memberships that provide lifelong access to recreational facilities, in exchange for one-time investments.
 - This has proven to be an effective mechanism for gathering the investment capital needed to launch or complete many tourism venues. Meanwhile, when used in the right venues, the only cost is “forgone revenue”, as the hard cost of enabling an investor to, for example, golf, use a campground or visit a park is negligible.
 - Typically, when this approach is adopted, recognition is provided for the “investors” at the venue
 - Typically, the range of “investment” is several thousands of dollars.
 - This type of capital acquisition can often lever up to \$3 for each \$1 of investment.
- b) Sponsorships have become increasingly common in a number of tourism venues, including a number of different applications, such as:
 - Sponsorships can be applied to various attractions within, for example, a park.
 - Signage is typically critical to ensure sponsor recognition.
 - Most effective is a focus on a smaller number of larger donors, rather than vice-versa. This reduces the volume of signage at the attraction, while enabling greater visibility for the sponsor organization.
 - Typically, sponsorship is more readily available for capital projects than it is for any operating purposes as recognition is more achievable on capital projects.
- c) Internet exposure can lead to international rewards. Access to the Internet, brings with it access to international visitors, and with it, interest from international travel magazines and publications.
 - The demographic trends in international travel match up with the more serene, historical and/or interesting attractions in the Newsask region, such as the paleontological site at Pasquia Park.
 - Because of the growing favour, amongst higher income international travellers in particular, the opportunity exists for unique sites to achieve international travel magazine acclaim, and in some cases, endowment funding.
- d) Continue the very substantial efforts that have been underway for the past few years in the way of partnering between various parts of the Newsask region

- e) Continue the development of larger and larger “tourism packages”
- f) Evaluate the opportunities for engaging brokers to attract and sell tourism packages, that could include golf and fishing, for example to offshore tourism markets

Synopsis:

Business Opportunity



11.0 FORESTRY

Background:

The forestry sector, as important as it is to the Newsask region, is one in which the area has less influence than is the case for many of the other opportunities included in this analysis.

By virtue of the size of the majority of the companies in the business, invariably it is primarily external capital that is involved in new startups. Although there are smaller operations that undertake particular types of work within the sector, this focus on multi-million dollar investments changes the dynamic of this sector, relative to others.

One area in which a region can exert some impact is in the degree to which services are provided to the large companies, as described in Section 8.0.

Undertaking these steps, to become a larger-scale supplier to these forestry businesses, has two positive outcomes. First is the “import replacement” function that takes effect whenever a local company replaces an external company as a supplier. Secondly, the large forestry company can see some degree of community support, and have a sense that it is seen as an important “player” in the regional economy. Often, these companies are taken for granted by their communities, including their local business communities. Or, at least they perceive that is the case. A more concentrated effort toward import replacement would alleviate this, at least to some degree.

Another step that is undertaken by some economic development groups is the “home office visit” approach. This is often pivotal wherever an externally owned company is in one’s area. The approach involves communicating in person wherever possible, to the owners and/or most senior management of the head office, if located elsewhere, that the company’s operations are appreciated locally. This typically takes the form of simply asking if there is anything the local community might do in order to help the company. It has been an effective strategy in a number of locations, as it can move that particular operation “up one notch” in the corporation’s investment and expansion plans.

At present, at least one business group is in the process of assessing the potential for harvesting part of the poplar population, with additional potential for milling in the region.

Factors Enhancing Expansion

- The Saskatchewan work ethic is a very positive factor for many external companies with operations in the province
- Few areas undertake the “home office visit” program, so those who do stand out

Factors Inhibiting Expansion

- Lack of local control
- Lack of opportunity for direct, local investment

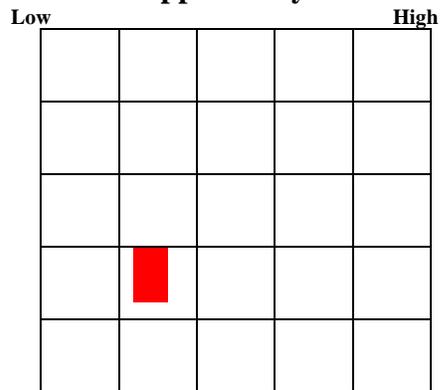
- External markets dictate many of the corporation’s decisions
- Flawed government policy can undo much good work on the part of a town or region

Economic Impact Issues

- The sector is an export industry
- The sector creates high paying jobs
- The sector tends to invest very heavily in new projects

Synopsis:

Business Opportunity



High
**Economic
Impact**

12.0 MINERALS

Background:

Although the region is best known for agriculture, forestry, tourism and manufacturing, the Newsask region may well become a significant area of activity in oil and diamonds.

These two unrelated activities are coming to the fore because of the potential for economic impact from oil exploration as well as and the diamond exploration that has taken place in the Forte la Corne area.

The status of the project is described in the Melfort Area Labour Market Review as follows:

“Results of this summer's \$5 million exploration for the diamond-bearing rock called kimberlite have produced some exceptional results in the Fort a la Corne area. Shore Gold of Saskatoon and a joint venture group consisting of Vancouver-based Kensington Resources, Cameco and world diamond giant DeBeers started drilling this past June. The main thrust of the exploration remains revenue modeling of the area, gathering data on how many diamonds could be in the area and what price they would bring. Saskatchewan Energy and mines is presently working on a study of ways to continue developing the mining industry in the province.”

This type of development is relatively new to the Newsask area, and therefore there is both an opportunity and a threat. If captured, the benefits will flow locally, through job creation and business expansion in the region. If not captured, the benefits will flow outside the region, and the area will have lost the opportunities that can be associated with a spike in activity.

An example of the positive impact of mining operations that can be used, understanding there are a couple very important differences, is the uranium mining industry in northern Saskatchewan. It is, of course, important to note that there has been legislation in place, from the outset that pushed the industry toward localizing the economic benefits. Over the years, however, the industry clearly realized the benefits of this approach and has, in many cases, exceeded the original benchmarks.

In the case of northern mining, the results have been significant in terms of employment creation, business creation and community development. Today, over 50% of the mineworkers are residents of northern Saskatchewan. Several large companies have arisen from this process. There are many small, but long-term contractors to the mining operations. As much as 40% of all non-personnel purchases have gone to area businesses.

Again, the rules are different than is the case for the Fort la Corne operation, and therefore it will be essential that “the area” be very aggressive in pursuing this. In this case, individual companies will be more successful, if accompanied by a concerted effort on the part of the economic development community to strongly encourage the mining

company to “buy regional”. Otherwise, the current level of activity, which is noticeable, but not at its potential, will either stabilize or decline. Much more is possible.

Mining operations can provide the following opportunities for area residents, provided concrete steps are taken:

- Employment opportunities at the mining operation,
- Trucking services are in demand at most phases of a mining operation,
- Catering services to the site will be an area of increasing demand,
- Transportation of people from, for example, Saskatoon or in some cases, beyond depending on the geographic area from which key mining employees are accessed,
- Training services will be necessary for some employee groups, and for some contractors,
- Security services will be required,
- Equipment will be rented,
- As the project moves through its phases, some outplacement services will be required.

Assuming the project proceeds, each of the above goods and services will be provided. It is not possible to project a detailed list of individual goods at this stage of the project, but experience indicates the above categories will most certainly be a key part of the purchase mix. The only question is from where these goods and services will be provided. From within the Newsask region, or from outside it.

In addition to the diamond exploration, there is a potentially significant oil play occurring in the Hudson Bay region. Dependant on exploration results, the face of the employment picture in the region could be dramatically altered in a positive manner.

In the shorter term, a silica sand project is planned, with commencement slated for 2003.

Factors Enhancing Expansion

- An active supplier development program is essential
- This should take place as the project is being evaluated
- A follow up should take place once the project is underway
- Many companies will adopt a “buy local” policy, provided there is local interest

Factors Inhibiting Expansion

- If the sector is new to the region, businesses may lack the experience necessary to service the project
- Some industries prefer to retain their favored suppliers from other locations
- A lack of interest, by way of poor attendance at a supplier information session will be damaging

Economic Impact Issues

- The sectors are export industries, and thereby create new wealth in the region
- These sectors tend to create very high paying jobs
- The sectors, particularly at the development stage, tend to invest very heavily in these new projects, and therefore their total purchasing capacity is very large

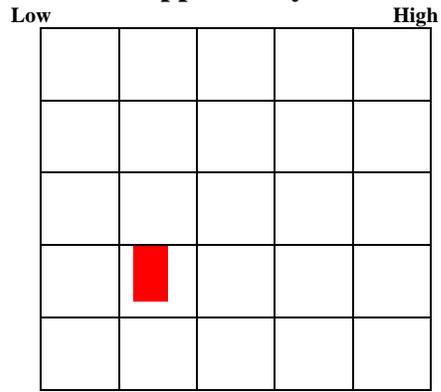
Growth Strategies and Actions:

There are important steps that need to be taken in maximizing the economic impact of this project past the current level of activity.

- a) Key to capturing an opportunity is familiarization with the facts. To that end, it is common that the process simply unfolds with no active involvement. When that occurs, a small number of local businesses take the time to determine opportunities and the economic development groups find out the facts and then disburse the information, as best they can, but much of this is second hand.
- b) A different approach that has been used to better capture opportunities, particularly at the exploration stage, when there remain many unknown details, is to convene supplier development seminars. These seminars can be undertaken at more than one stage of a project, as each phase will require a differing set of products and services. Lead time is the key to success of these information sessions, in their economic development effectiveness.
- c) These are sessions to which every local business owner in the region is invited, and at which the project personnel connected with both the exploration activity and the business side, are asked to outline the project and its potential impact in the region. These sessions typically prove to be the most effective possible methods of engaging the regional business community, illustrating the interest of the region in the project, and thereby increasing the likelihood that the economic impact of the project, when it does come on stream is maximized locally.
- d) The second action needed to fully capture the opportunity is for the region's economic development agency / agencies to meet with the principals of the project to accomplish two goals. The first is to understand the upcoming product and service requirements, and secondly, but very importantly, attempt to convince the project principals of the benefits of a "buy regional" policy.
- e) If the company can be convinced of the merits of this approach, the area's economic benefit, in terms of business activity and jobs created, will be much larger. The project owners, Cameco, de Beers and Kensington Resources should be approached through the project's working partner Shore Gold of Saskatoon to initiate both the "buy regional" discussions and the supplier development sessions.

Synopsis:

Business Opportunity



High
**Economic
Impact**

13.0 RETAIL AND CONSUMER SERVICES

Background:

Retail and consumer services in rural Saskatchewan are somewhat different than the same sectors in larger centres.

In the larger cities, the retail sector and most of the consumer service sector is deemed to be “for local consumption”. That is, the vast majority of its market consists of persons who live in that same city. Therefore, it is further deemed to be of very limited importance from an economic development standpoint. Only when a retail operation is of the largest possible, for example in the realm of the West Edmonton Mall, does it have any real external economic impact, because on its own, it attracts shoppers and business activity to that city.

Anything less than that scope is considered to be “local”. Any additions to the retail or consumer services mix are then, considered to be simply “dividing up the same pie.”

In rural Saskatchewan, however, it is a different story. Although retail will tend to “follow the numbers”, that is, go where the consumers are, the existence of retail and consumers in small communities does dictate, to some degree, the amount of lost business activity from that town or area.

By way of example, one town on the west side of the province had only one grocery store in a town of 1,300. The next town over, one that was smaller, had two. A consumer survey showed conclusively that the first town was losing over half of its potential business to the next town. The “leakage” was massive, and it impacted other businesses in the same town, as consumers gravitated away, first in search of grocery selection, and as usually happens while there, stopped for other purchases.

This example shows the impact of retail and consumer services, or the lack thereof. The Newsask area tends to compete, less between towns, than it does as a region with Saskatoon or Prince Albert. Each and every time a consumer is forced to drive to Saskatoon or Prince Albert for one purchase, yet another purchase invariably follows.

Every retailer and consumer service provider in the region knows, although likely anecdotally, about “leakage” from the region. To encourage retail or consumer services development, however, for economic development groups is difficult because these are typically decisions made by individual business owners.

To catch the attention of retail and consumer service business owners in the region, or to garner the attention of national chains, harder evidence will likely be necessary. A specific retail study would, in all likelihood be required to illustrate in a concrete manner, that demand exists for certain product classes. Such a study would have to be sufficiently comprehensive that it could be used, not only on a regional basis, but for instances where someone wants to measure the potential for a particular type of offering in a specific community.

Factors Enhancing Expansion

- The ability of the region to retain its population
- Concrete data indicating the causes of retail and consumer services leakage from the area

Factors Inhibiting Expansion

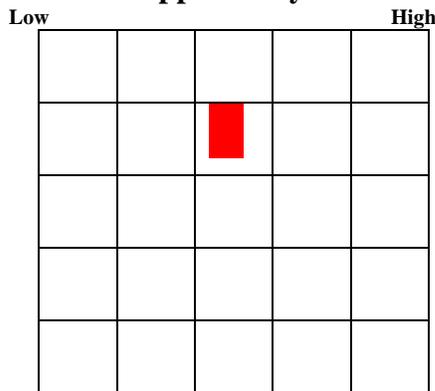
- Lack of current data
- The fact that these decisions tend to be individual business decisions, rather than economic development projects
- There is no public sector funding, on balance, for retail or service operations

Economic Impact Issues

- The sectors have an import replacement impact
- The sector creates more than a proportionate number of jobs

Synopsis:

Business Opportunity



**High
Economic
Impact**

14.0 EDUCATION

Background:

One of the key requirements for almost every one of the opportunities analyzed, and certainly amongst those sectors that hold the greatest development potential, is training.

In its 2001-2002 Needs Assessment Report, the Cumberland Regional College pointed out the need for a range of skills including truck driver training, heavy duty mechanics, health care workers, skilled farm workers, teacher assistants and entrepreneurs.

The results of this study either add to the above list, or underscore the needs already identified. In order to capture the opportunities noted in this report, it will be essential to add new people, with new skills to the mix in the Newsask region. This is particularly the case when the overall education level in the area falls slightly under the provincial average.

The following skills will then be essential for the development noted as being possible in this report:

- Highly skilled farm workers for the hog industry, the beef industry, and the specialty livestock industry
- A full range of trades skills including welding, machining and fabricating
- Mechanic – heavy duty and otherwise
- Professional transport operator
- Applied biological sciences
- Entrepreneurial skills and aptitudes

Factors Enhancing Expansion

- It would be hoped that an extensive distribution of the contents of this study, and others like it will heighten the awareness of the need for additional training within the adult population, because there can be significant opportunities within the region
- A minor increase in public appreciation of the need for specific skill sets

Factors Inhibiting Expansion

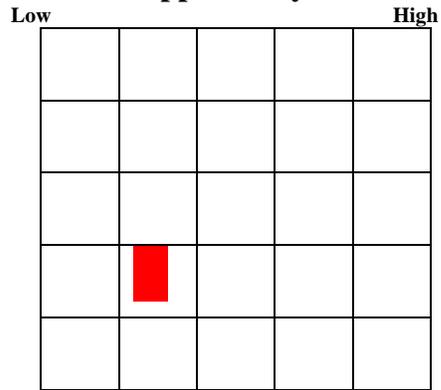
- The difficulty for private sector trainers to operate profitably in the provincial environment means the public system will be the primary supplier of skills
- Limited government finances for the education system, translates into relatively stable budgets, which will be taxed to accommodate the increased needs identified in this report

Economic Impact Issues

- Training is vital to the new, emerging opportunities
- Those who grow up in the region are more likely to stay, given job opportunities, than are those who grew up in a larger centre, and so retention is vital
- This is a significant opportunity to “retain the population” for another decade

Synopsis:

Business Opportunity



High
**Economic
Impact**

TAKING ACTION

15. FINANCING ISSUES AND OPTIONS

The projects covered in this report are quite diverse. In some cases, actions for individuals have been identified, while in other areas, action by a development group is the appropriate step.

Whichever is the case, at some point, financing is a key issue. There is a variety of financing options, outside of government assistance programs, which may or may not be applicable, depending on the project.

Some of the range of financing sources currently available include:

- Local banks and credit unions – for the full array of business lending, working capital, asset financing
- Farm Credit Corporation – with a focus on agriculture and agriculture related projects, with capacity to take on a substantial role in larger projects 975-4248
- Business Development Bank of Canada – focused on manufacturing and growth companies, primarily in the area of asset lending, working capital 975-4822
- Labour Sponsored Venture Capital Funds – some on the market now, with investment funds, and with capacity to set up target specific funds, with investor tax advantages, primarily for larger projects
- Corporate Finance Firms – specializing in raising equity, arranging debt financing, typically on a fee plus contingency basis
- Small Business Loans Association – funds available in some areas of rural Saskatchewan for business start ups and expansion
- A small number of economic development organizations have investment funds
- Newsask Community Futures – has a loan fund for start up companies or expansions, often in conjunction with commercial lenders 873-4449

The Saskatchewan Securities Commission is the source for information on the reporting and regulatory requirements for raising capital in Saskatchewan 787-5645

16. REPORT COMMUNICATIONS

This report will also be available from the Newsask Community Futures Development Corporation office in:

- Summary Form
- Power Point presentation form

(Upon report approval, the presentation format will be finalized for use at the four Newsask area communication meetings)

As well, a series of media releases, highlighting key opportunities identified in this study are available from the Newsask office at (306) 873-4449.

(The first two media releases, as drafts, were sent to the Newsask office prior to the finalization of this report, and will be updated and utilized as part of the communication process).