

## More value-added industry needed in Saskatchewan

Although cattle producers would benefit from increased processing and packing capacity in the province, the president of the Saskatchewan Stockgrowers Association said careful planning is critical to ensure the long-term viability of new facilities.

"It's really kind of a tough situation, you know, because these (projects) require big amounts of dollars. I guess, what I'm saying is we need to do it. But just because we need to do it, we also need to make sure we're doing it right, because not all of these ventures are going to succeed," said Brian Ross.

"We need to make sure we have the expertise to manage these operations. Marketing expertise is so important to these new ventures and we've been out of the packing business in Canada for so long that I really question whether we have the expertise left in Canada."

Ross said there is a greater need to add value to Saskatchewan beef production.

"In talking about the value-added, we've seen profits in the agriculture industry decrease over whatever time period that you'd probably like to take – 20, 30, 40 years – and at the same time, from the data that I'm receiving, the profits in the processing – maybe not the packing-plant side of it – but in the further processing and in the retail end, profits have steadily gone up staying right with the money markets," Ross said.

"What I'm saying, I guess, is that producers need to get further down the value chain at some point in time, depending upon their own operation."

Recently, the South West Beef Initiative announced it has taken the next step in their plan of constructing a \$25 million packing/processing plant near Swift Current.

Jim Parsons, chairperson of the South West Beef Initiative, confirmed in early March they have opened the tender process to find an engineer with expertise in designing packing plants. They are proceeding with their originally proposed idea of a 200 head a day packing/processing plant.

"Our consultant, in recommending the 200 head a day, told us there were about four good reasons for that. One is that 200 head a day, this area could probably supply the cattle. Number two, we could probably market that much boneless beef. Number three, we could probably man it, and we're talking 100 to 125 people working here. And, number four, we could probably afford it. So there's four good, basic reasons why this thing should work," Parsons said.

"We started out saying we want a producer-supported, owned, controlled type of business here, and we still adhere to that. We feel that the producer is number one here," he said. "It is exciting. We've been working at it actually just about a year right now. Although that seems to be slow, when you talk to business people in a year we've done pretty well."

The South West Beef Initiative's steering committee has opted to proceed with their original plan instead of a larger proposal in conjunction with the Canada Farm Direct group.

"We took an in depth look at the business plans of some of these other options, and we're just more comfortable with what we're doing," Parsons admitted.

The South West Beef Initiative is targeting to process 200 animals per day, with their totals equaling 6,000 bison a year, 4,000 to 6,000 bulls a year, with the rest of their capacity made up of mature cows. When designing the plant they will ensure they have enough sewer, water and cooling capacity that if they double a shift they could

double the capacity of the plant. Double shifting at the plant would increase their capacity to a maximum of 400 head per day.

The pre-design company will formally cost out the plant, including the purchase cost of the land along with the funding necessary to service the property, with that total number put into a final business plan. Marketing plans for the boneless beef processed at the plant will also be included in the business plan. It is expected the plant will carry a price tag of \$18.5 million. If they want to double the capacity at the plant, their initial costs would

rise to \$19.5 million. To provide operational funding for the first year or year and a half of the plant they estimate they'll need \$5 million in operating money, with the overall fundraising for the plant totaling \$25 million.

It will only be after all this information is gathered that the steering committee will make the final decision as to whether to proceed or not.

Parsons said in the March 5 edition of *The Southwest Booster* the time frame for the pre-design stage is 12 to 15 weeks, however there is currently no time frame to incorporate and start the share offering.

*Press Release Date:  
The Southwest Booster  
March 26, 2005*