

INVEST IN SOUTHWEST ALBERTA – AGRICULTURE



Envisioning a Landscape of Investment Opportunities and Export Capacity

Invest in Southwest Alberta – Agriculture contains an analysis of the Agriculture and Agri-food sector in the southwest region of Alberta from an investment perspective. This document contains information on the region's existing agricultural-based products, the sector's capacity, its competitive edge and access to markets, opportunities, incentives and resources.

Invest in Southwest Alberta – Agriculture

ENVISIONING A LANDSCAPE OF INVESTMENT OPPORTUNITIES AND EXPORT CAPACITY

AN UNLIMITED LANDSCAPE OF OPPORTUNITY

Southwest Alberta offers immediate opportunities to invest in existing businesses, start a new venture or explore partnerships with established firms in the thriving agriculture sector.

This unique region is an ideal location to live, learn and invest due to its:

- Low business costs - one of the most competitive tax environments in North America - The combined federal/provincial corporate income tax rate is 27% for general businesses and 14% for small businesses;
- Strategic Location and Access - \$845 million in major provincial projects have been announced for the Southern Alberta Transmission Reinforcement initiative which equates to better service, more efficient transmission of renewable energy, and new opportunities in value chain growth;
- Entrepreneurial spirit - a skilled, young and productive workforce populates this stunning area; and
- Strategic regional partnerships that bring private business, government and education institutions together on innovative research projects.



Farmland in Alberta is 50.5 million acres, accounting for 43,234 farms. These farms are responsible for \$11.8 billion in Farm Cash Receipts.

LAY OF THE LAND

The Alberta SouthWest Region includes 16 municipalities and covers an area of 15,446 square kilometers, larger in size than the state of Connecticut. The region accounts for 2.4% of Alberta’s land mass. Its population of 36,700 residents, living in 16 vibrant communities and representing 1.0% of Alberta’s population, call southwest Alberta home. The six major centres are Cardston, Crowsnest Pass, Claresholm, Fort Macleod, Nanton, and Pincher Creek.

This creates a region of wide open spaces that is very attractive to businesses and represents potential for continued growth. The communities in the region are within a 150 km radius and vary in size from full service centers of over 5,500 people to charming villages of 200-450 people. Communities work in partnership on initiatives to facilitate sustainable economic growth.

The region boasts one of the highest quality of life standards in the world, with recreational settings, strong community values and an average household income of over \$80,000 (2011). Southwest Alberta has significant geographic diversity; from prairie grasslands and foothills, to river valleys and the majestic mountain peaks of the Canadian Rockies.



Southwest Alberta is a vibrant recreational setting, containing multiple provincial parks, campgrounds, ski hills and hiking trails. Community values emphasize hard work and multiculturalism, due in part to the fact that one in six Albertans was born outside of Canada. Alberta’s exceptional health care system, publicly administered and funded by the Alberta government, is dedicated to ensuring all Albertans have equal access to the best medical services.

A DIVERSE ECONOMY

With a vibrant and diverse economy, the southwest region of Alberta provides a number of investment advantages and opportunities.

Over 1,900 businesses currently operate in this region of economic strength across the agriculture, natural gas, tourism, manufacturing and growing renewable energy sectors.

Businesses benefit from a young, highly skilled and educated workforce. In 2012, 48.3% of the labour force aged 25 and over reported holding a university degree or post-secondary diploma, and 2/3s of the region's population was aged between 15 and 64.

Southwest Alberta lies close to four of the most reputable post-secondary institutions in the province, The University of Lethbridge and Lethbridge College, the University of Calgary, and Southern Alberta Institute of Technology (SAIT).

The region enjoys close to 2,400 hours of sunshine and 264 dry days per year, and is ranked the second highest in Canada days per annum for wind speeds above 40 km/h (24.9 mph). With clean, fresh water, more hours of sunshine than anywhere else in Canada and a bounty of natural resources, Southwest Alberta proves an idyllic setting for living and a great location for commerce.

Annually, Southwest Alberta records approximately \$40 million in municipal construction value and has \$1.6 billion in recently completed or planned municipal/private sector construction projects. Current projects include:

- \$150M **Windy Point Wind Farm** in Pincher Creek planned for 2015 – 2016;
- \$500M **Transmission Line** development - Southern Alberta Transmission Reinforcement (SATR) in Pincher Creek planned for 2017 – 2018; and
- \$345M **South Foothills Transmission Project** from Fort Macleod to High River (Completed November 2016).

Click here for an up-to-date and complete inventory of Alberta's major capital projects.

UNPARALLELED ACCESS TO MARKETS

HIGHWAYS

- Highway 2 (CANAMEX) accelerates the north-south flow of goods, connecting Alberta to the U.S.A. and Mexico.
- Highway 1 (TransCanada) is Canada's major east-west trade corridor, spanning across all ten Canadian provinces, linking the east and west coasts.

Distance to:	Kilometers	Miles
Lethbridge, AB	100	62
Calgary, AB	216	134
Fort McMurray, AB	952	592
Seattle, WA	956	594
Vancouver, BC	1166	724
Los Angeles, CA	2313	1437
Toronto, ON	3419	2125
Houston, TX	3389	2016
Montreal, QC	3499	2174
New York, NY	3854	2395
Halifax, NS	4735	2942

- Highway 3 west connects Alberta to Vancouver, British Columbia and the Port Metro Vancouver deep-sea terminal, Canada’s largest sea port and the fourth largest tonnage port in North America. Highway 3 East links to the Trans-Canada Highway, all major eastern Canadian highways as well as the Atlantic Ocean.
- Major Port of Entry to the USA: one hour south of Fort Macleod is Canada’s 9th busiest border crossing, Coutts/Sweet Grass, open 24 hours a day, seven days a week.

AIR

- One of Alberta’s longest runways lies within the region, and is managed by the Municipal District of Pincher Creek. The runway is at 1190 meters (3,903 feet) elevation and is 2012 meters (6,600 feet) in length.
- Within an hour to 1.5 hour drive is the Lethbridge airport, operating 24/7 with daily scheduled flights. There is also an on-site NAV CANADA Flight Services Station that operates 16 hours per day.
- About a two-hour drive away is the Calgary International Airport, Canada’s third largest. Connecting passengers through daily scheduled flights to 100 International destinations, the airport also serves as a major cargo hub for Western Canada.

RAIL

- Products can be shipped by rail on the Canadian Pacific Railway mainline. Lethbridge boasts a major freight handling facility, with tracks running in all four cardinal directions. Products are easily shipped north to Calgary, south to the U.S.A., east to large markets in southern Ontario, and west to Vancouver and beyond to the Pacific Rim.



A major freight mainline runs through the region linking British Columbia and Port Metro Vancouver to a major freight handling facility in Lethbridge.

MAJOR AGRICULTURAL/AGRI-FOOD SECTOR EMPLOYERS

The southwest has a number of successful agri-food companies in the region in addition to large farms and ranches. They employ over 19% of the region’s population. The people of the southwest have grown up on farms and working in agriculture businesses. They understand the importance of the industry in the region and want to work in the community and support businesses that support the community and region.

Examples of companies that contribute to the growth in this key industry are listed below:

- 2W Livestock Equipment
- Saputo Dairy Products Canada
- El Molino Foods of Canada Ltd.
- Mountain Top Foods Ltd.
- Bouvry Exports Ltd
- Clear Lake Enterprises
- Fort Macleod Auction Market
- VJV Foothills Livestock Auction
- Sun Prairie Mills Ltd. - Nanton
- Pincher Creek Meat Processing

A GLOBAL CONTENDER IN BUSINESS COSTS

Work here. Live here. Do business here. Get more. Pay less. Alberta has one of the most competitive tax environments in North America and fosters innovation through its pro-business attitude. Investors continue to take advantage of its low property, corporate and personal income tax rates. Alberta is the only province that does not have a provincial retail sales tax. It has no provincial capital or payroll taxes, nor machinery and equipment taxes. Alberta has none of the taxes typical in many other provinces and in the U.S.A.

- Small business owners pay lower taxes (total of personal and business income tax, sales tax, gas tax, health premiums) in Alberta than in any other province in Canada.
- The combined federal/provincial corporate income tax rate is 27% for general businesses and 18% for small businesses.
- Alberta has the lowest gasoline taxes in Canada.
- Alberta Healthcare is the best funded in the country, representing one third of the annual provincial budget. Canada provides publically funded healthcare services, reducing the cost to private business.

Specifically, southwest Alberta's competitive advantage lies in its vast land resources, affordable cost of business and cost of living, as well as access to markets:

- Lower than provincial average labor costs
- Small business owners pay lower taxes (total of personal and business income, sales, gas taxes and health premiums) than they would in any other province
- Average house prices approximately 58% lower than the Alberta average
- Municipal commercial taxes are roughly \$1500/\$100,000 of assessment. This is roughly 25% lower than the Calgary Region for comparable enterprise operating space;
- Competitively low water, natural gas and electricity utility rates; and
- Internationally competitive manufacturing costs in green energy.

AGRICULTURE AND AGRI-FOOD

The livestock industry in this region is thriving due to the rich grazing lands, clear mountain streams and access to processing and large markets. The producers in this region do not have to go far to have their animals processed, as some of the province's largest meat processors are within a few hours' drive of their farms. They also have access to major markets, as the region is located on major Canadian transportation corridors for both east/west and north/south.

AGRI-FOOD PROCESSING



The Saputo plant in Glenwood, Alberta employs approximately 75 people

The strong agriculture production base is supported by a number of large and small processing plants that process, market and distribute value added products across Canada and around the world. Cargill Foods (High River, AB) and JBS Food Canada (Brooks, AB) are two of the largest federally inspected beef processing facilities in Canada. Poultry processing is

done at Sunrise Poultry and pork is processed at Maple Leaf Pork, both of which are located in Lethbridge, an hour away from the southwestern region.

There are also a number of dairy processing facilities located within and close to the region including Saputo, Agropur and Parmalat. These facilities produce dried milk products, cheese, yogurt and sour cream and market and distribute these products around the world.

BIO-ENERGY

The growing market for alternative energy sources, as a result of increasing cost of conventional energy sources, makes this an attractive investment opportunity. Bio energy is any form of renewable energy derived from organic material such as feedstock, biomass, or plant and



animal waste. In the south region there is an abundance of waste products from agriculture crops and livestock. These wastes can be transformed into valuable products such as ethanol, bio-gas and bio-diesel. For more information about opportunities in Bio-Energy in the SW go to: www.saaep.ca/bioenergy.pdf.

A THRIVING INDUSTRY

There are many reasons to invest and do business in the SW part of Alberta. Apart from the fact that it is the most beautiful corner of the province with the majestic Rockie Mountains as a back drop, SW Alberta offers a number of economic reasons to invest in the agri-food industry.

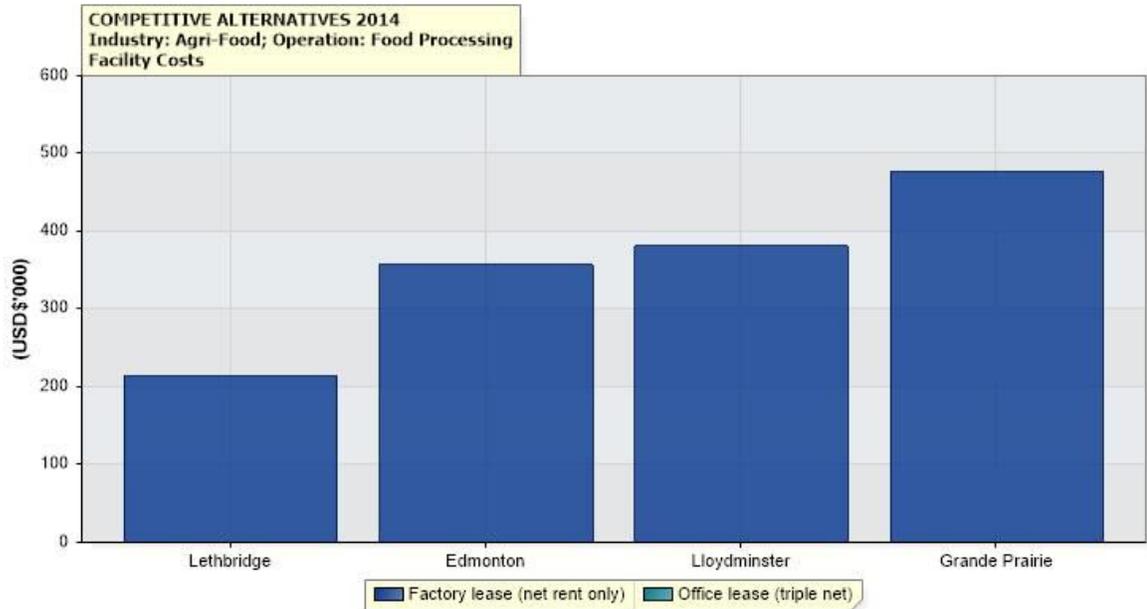
Supply of raw material

Being the oldest agriculture area in the province has resulted in some of the largest ranches in Canada. That, coupled with the rich grazing pastures, irrigation and fertile soils, has helped to develop a diverse agriculture and food industry in the region. The inputs for the potential of value added products are high quality and abundant. There are investment opportunities for further processing of higher value added food products and bio energy.

Low cost

According to Competitive Alternatives Report, KPMG's Guide to International Business Location Costs (2014), Canada ranks 2nd behind Mexico, as the lowest business costs for manufacturing. Business Costs are 7.2 percent lower than the US. And within Canada, Southern Alberta offers an extremely competitive cost environment, and is one of the most competitive markets for manufacturing in the entire world.

Chart 1: Agri-food Processing Facility Costs compared across Alberta
Source: KPMG's Guide to International Business Location Costs (2014)



There are no capital or payroll taxes and no provincial sales tax, making Alberta the province with the lowest overall taxes in the country.

Chart 2: Agri-food Processing 10 year non-income tax average compared across Alberta.
 Source: KPMG’s Guide to International Business Location Costs (2014)

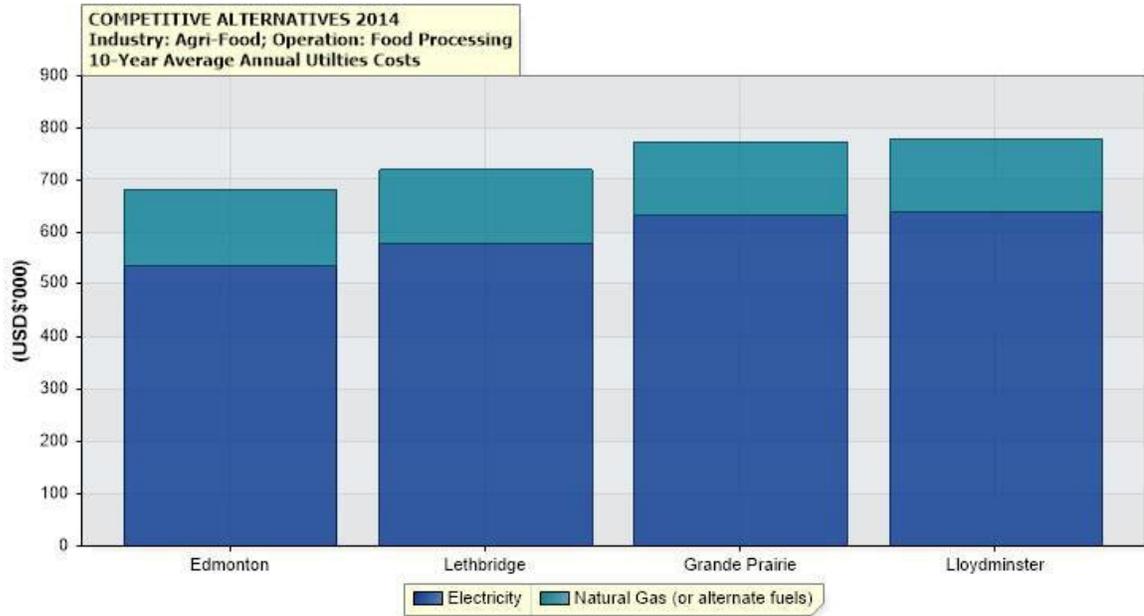
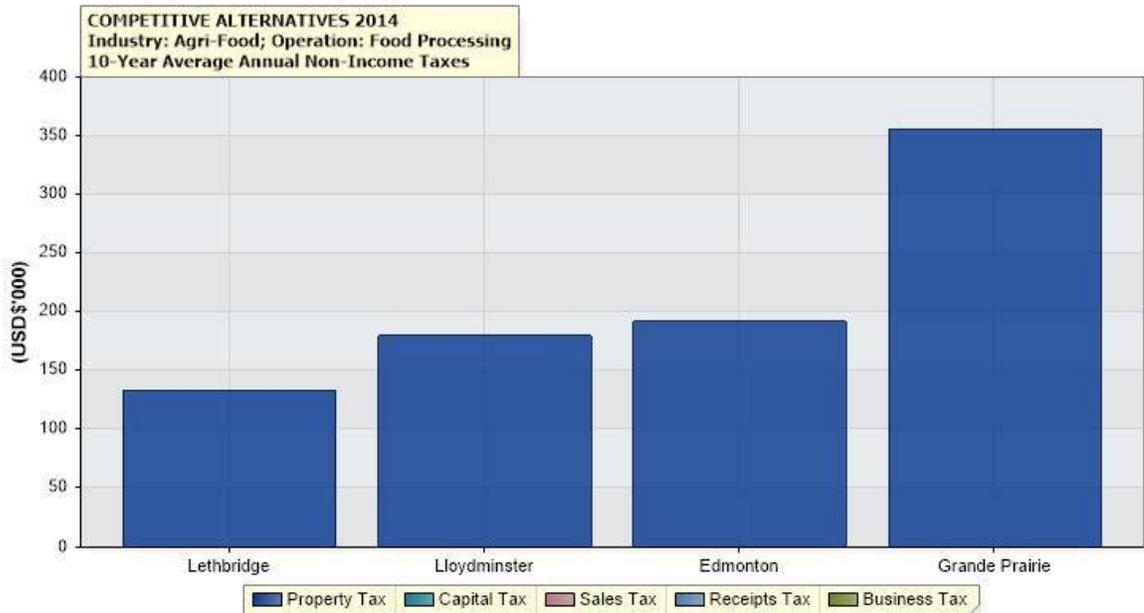


Chart 3: Agri-food Processing 10 Year average Utility costs compared across Alberta.
 Source: KPMG’s Guide to International Business Location Costs (2014)



LABOR

In the southwest, there are many well-trained people with an agriculture background. According to Statistics Canada, the Southwest region's employment rate was 63.4%, which indicates that there are employable individuals that can work for new businesses investing in the region.

Average Wages

Occupational Title	Average Wage/Hour	Yearly Salary
Farm Supervisor and Specialized Livestock Worker	\$19.72	\$44,870
Farmers and Farm Manager: <ul style="list-style-type: none"> • Bee Keeper • Dairy Producer • Grain and Forage Crop Producer • Livestock/Poultry producer • Market Gardener 	\$23.72	\$55,776
Process Control & Machine Operators, Food and Beverage Processing	\$19.10	\$39,868
Testers and Graders, Food and Beverage Processing	\$23.76	\$48,175
Labourers in Food and Beverage Processing	\$15.11	\$30,496

Source: 2014 Alberta Wage and Salary Survey

ENTREPRENEURIAL SPIRIT

This region is known for its entrepreneurial and progressive farmers. Whether it is new specialty crops, new technology or land management practices, the farmers in this region are looking to make improvements and are often on the leading edge of what's happening in the agriculture industry.

With the support of Lethbridge College, University of Lethbridge, the Alberta Government and other research partners, this area has been actively pursuing opportunities with non-traditional, high value crops that are well suited to the region.

BUSINESS RESOURCES FOR AGRI-BUSINESS AND/OR INVESTORS

Alberta has a comprehensive suite of programs available for agri-business. These programs are there to support business through the innovation, product development and business development phases. Discover what is available to help grow your agri-processing business. Find the programs and services that suit your needs. Here is a list of programs available through local, provincial and federal government organizations.



BUSINESS DEVELOPMENT SUPPORT

The Business Link

This website portal provides small businesses with all the links to government resources they need to start up and grow their businesses. There is a business adviser service at The Business Link that will help small businesses easily navigate government's business programs, supports and regulatory information. Businesses can access the business adviser service toll free at 1-844-422-7705 or the 'Ask an Expert' button.

There is also a link to funding for small businesses:

<http://www.smallbusiness.alberta.ca/resources-for-your-business/?resource=Funding>

Agriculture and Forestry - Government of Alberta

The Department of Agriculture and Forestry has a number of resources to support innovation, investment and sustainable growth of the Agriculture and Forestry industry in Alberta. Here is a link to applicable programs and resources for Agri-food businesses.

<http://www.agric.gov.ab.ca/app52/programsservices>

Agri-Business and Product Development

The purpose of this program is to help processors, producers and producer groups invest in new and innovative ways of getting Alberta-made products into new markets, enabling Alberta's agri-industry to cultivate new customers and increase profitability.

Agri-Processing Automation and Efficiency Program

This program is to help meat processors and livestock producers invest in new processing equipment and adopt improved processes and best practices, allowing the meat industry to increase its capacity, competitiveness and profitability. Applicants are eligible for reimbursement of certain capital and non-capital expenses.

Reimbursement of capital expenses (20%). Eligible capital costs include the engineering design, acquisition and installation (including modifications, if needed) of automated machinery and equipment.

Reimbursement of non-capital expenses (50%). Eligible non-capital costs include third-party costs for consulting and engineering fees, consultant and coaching fees related to process improvement and related travel.

- **Livestock and Crops**
- **Business Management Skills Development**

Business Opportunity Grant

This program is to help Alberta's new or established producers, agri-processing companies and producer groups.

RESEARCH AND DEVELOPMENT

Alberta Livestock and Meat Agency (ALMA)

The Alberta Livestock and Meat Agency (ALMA) is focused on investing in innovation delivering productivity gains and supply chain collaboration for improved knowledge transfer and profitability in the livestock and meat industry.

The Research and Development Grant Program

The Research and Development Program is focused on initiatives that drive efficiency and productivity within Alberta's livestock and meat industry. This will strengthen Alberta's competitiveness by reducing livestock production costs, processing costs and labour requirements.

Alberta Innovates Technology Futures (AITF)

AITF provides innovation, research and commercialization services that address challenges and priorities in the Alberta's agriculture, forestry, oil & gas, environment, health and pipeline sectors.

R&D Associates program

Industry R&D Associates addresses the increasing research and development (R&D) personnel needs of Alberta industry. Through this program component, Alberta companies are able to recruit recent Master's and PhD graduates to conduct research that benefits the organization.

Voucher Program

The Voucher is designed to support technologies in the mid-to-late developmental stages but may include some early developmental stages too.

Micro-Voucher Program

The Micro-Voucher is to support technologies in the early developmental stages.

The Product Demonstration Program

The PDP is designed to support technologies in the more advanced stages of development.

National Research Council

The National Research Council of Canada (NRC) is the Government of Canada's premier research and technology organization (RTO).

Industrial Research Assistance Program (IRAP)

IRAP provides technical and business advisory services related to R&D, including strategic intelligence, and customized solutions to fit business needs.

Western Economic Diversification

Western Diversification works to improve the long-term economic competitiveness of the West and the quality of life of its citizens by supporting a wide range of initiatives targeting inter-related project activities - innovation, business development and community economic development.

Western Innovation Initiative (WINN)

This \$100 million five-year federal initiative offers repayable contributions for small and medium-sized enterprises (SMEs) with operations in Western Canada to move their new and innovative technologies from the later stages of research and development to the marketplace.

Scientific Research & Experimental Development (SR&ED) Investment Tax Credit (ITC)

The SR&ED tax incentive is a federal program that encourages businesses of all sizes and in all sectors to conduct research and development. Any Canadian-controlled private corporation (CCPC) can deduct SR&ED expenditures for income tax purposes and companies can earn ITC's to reduce income tax payable.

A refundable ITC of 35%, 100% refundable on qualified SR&ED current expenditures and 40% refundable on qualified SR&ED capital expenditures, up to a maximum threshold of \$3 million of qualified SR&ED expenditures for SR&ED carried out in Canada. A CCPC can also earn a 20% non-refundable ITC on any amount over that threshold. However, for a CCPC that meets the definition of qualifying corporation, the 20% ITC on any amount over that threshold is refundable, and 40% is refundable on qualified SR&ED current and capital expenditures.

INVESTMENT AND EXPORT RESOURCES

Agri-food Opportunities

This link will get you started on resources available for exporting products and investing in the Southwest Alberta agri-food sector.

Export Seminars

Export Development Canada has a number of webinars that explain the ins and outs of exporting products from Canada to around the world.

Department of Foreign Affairs, Trade and Development (DFATD)

DFATD manages Canada's diplomatic and consular relations, to encourage the country's international trade and to lead Canada's international development and humanitarian assistance. They also provide funding programs to help take your business to the next level by focusing on global trade.

REGIONAL CONTACTS

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