

**A Strategic Plan
For the Food & Beverage Processing Industry**

Submitted by

The British Columbia Food & Beverage Processors Steering Committee

January 2004

Executive Summary

This Strategic Plan has been prepared for the British Columbia Food & Beverage Processors Steering Committee in partial fulfillment of an application for up to \$1.5 million in funding from the Agri-Food Futures Fund. In accordance with guidelines set forth by the Investment Agriculture Foundation (IAF) of British Columbia, trustee of the Fund, it outlines the industry strategy in detail and includes a five-year plan of defined strategic initiatives intended to advance the competitive position and capabilities of the industry as a whole.

The BC Food Processors Council is to be the successor to the British Columbia Food & Beverage Processors Steering Committee, which in October 2002 was given the mandate to assess options for the creation of an industry-wide organization and the development of a long-term industry strategy. Following submission of this plan to the IAF, the Council will assume responsibility for implementing the strategy on behalf of the food and beverage processing industry.

The plan outlines both the need and the rationale for a comprehensive strategy in an industry that is currently diverse, fragmented and loosely organized. It affirms that, after a decade of industry contraction, BC's food and beverage processors are now well-positioned to develop their natural and acquired capabilities and to exploit competitive advantages in an increasingly dynamic, global and segmented marketplace. In this context, the industry's strategic goals are to:

1. Enhance the competitive position of BC food and beverage processors.
2. Build BC's reputation as a leader in health and lifestyle-oriented food and beverage products.
3. Build business relationships and opportunities for collaboration with Value Chain partners.
4. Enhance communications and coordination among industry stakeholders.

Each of these goals is accompanied by a set of strategic initiatives and action items designed to achieve defined outcomes. The proposed budget for this plan is \$3.0 million over five years, to be shared on a 50:50 basis between the Agri-Food Futures Fund and the food and beverage processing industry. On a cash basis, the Fund would contribute \$1.5 million including an allocation for program administrative costs. The industry's share will consist of both cash and in-kind contributions.

In Appendices, the document outlines a set of guidelines for funding and administering projects that support the industry's strategic goals and initiatives. The BC Food Processors Council will appoint an Adjudication Committee to review and assess proposals from qualified applicants for project funding, and will appoint the Investment Agriculture Foundation as the Administering Organization. A detailed work plan for first year activities and a communications strategy for promoting and supporting the plan are also included.

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The British Columbia Food and Beverage Processors Steering Committee

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Introduction:

British Columbia's food and beverage processing industry is a broad-based amalgam of small entrepreneurs, established mid-sized businesses and the local operations of large multi-national corporations. Partly because of its diversity, the industry has tended to be driven by individual businesses working independently rather than together in the pursuit of common goals. Past efforts to form an industry association have been unsuccessful, as have efforts to develop a comprehensive industry strategy. The industry continues to play an essential role in the food and beverage value chain, but requires a collective plan for growth, margin improvement and exploitation of competitive advantage.

In the late 1990s, dramatic changes in the marketplace, led by global consolidation/competition and the shift of market leverage to the distribution sector, had a material impact on the processing industry as several high-profile plants were closed and processing jobs were lost. The industry has since recovered as markets have rationalized and new opportunities have emerged. There is now considerable opportunity for a broad-based industry strategy to facilitate and accelerate growth.

Background:

In May 2002, under the sponsorship of the Investment Agriculture Foundation of British Columbia, the BC Ministry of Agriculture, Food and Fisheries, and Agriculture and Agri-Food Canada, a group of processor representatives met to consider key strategic issues and to recommend specific actions that would strengthen the industry. A Working Group of industry representatives was formed to provide recommendations that would help the Foundation direct funding to highest priority initiatives. Key recommendations were that the industry should consider forming an 'umbrella' organization and that it should develop a long-term strategic plan. The Working Group delegated responsibility for leading and executing this mandate to a new group known as the Food & Beverage Processors Steering Committee. The Steering Committee's mandate and composition are described in Section 1.0.

In February 2003, under the direction of the Steering Committee, a team of consultants was engaged to assess the feasibility of a broad-based industry organization and to develop a long-term industry strategy. An extensive research project, which included a comprehensive survey of BC processors, revealed support for the creation of a broad-based organization even though the industry lacked the resources to establish the necessary infrastructure. The consultants recommended that until such organization was formed, the industry strategy should be implemented under the general leadership of the Steering Committee members and through the coordinated activities of sector organizations and industry sub-groups. At the same time, the

consultants noted that the Steering Committee was limited by its current mandate and recommended that it be reconstituted as the ***BC Food Processors Council*** with a fresh mandate to implement the industry strategy.

This document is submitted by the BC Food & Beverage Processors Steering Committee in support of the industry’s effort to secure up to \$1.5 million in funding from the Agri-Food Futures Fund. It outlines the industry strategy in detail and includes a five-year plan of defined strategic initiatives that will advance the competitive position and capabilities of the industry as a whole.

1.0 Who We Are:

In addition to assessing the feasibility of a broad-based industry organization, the original mandate of the BC Food & Beverage Processors Steering Committee was to:

- Define target audiences, food and beverage industry needs, a vision for the future of the industry, outcomes that might be sought to advance the sector, and an outline of an implementation strategy.
- Manage the project with the support of the Investment Agriculture Foundation and government, and
- Oversee the development of the organization until a Board of Directors is established.

The current Committee consists of eleven representatives from small, mid-sized and large processing firms across a broad range of industry sub-sectors, as well as four ex-officio members from the Investment Agriculture Foundation of British Columbia and the federal and provincial ministries of agriculture and food. The current Committee members are:

Members		
Pieter Vanderpol, (Chair)	Chairman	Vanderpol’s Eggs Ltd.
Denis McGuire	President	Brookside Foods Ltd.
Godfrey Ferguson	Director	Small Scale Food Processors Association
Rick Pipes	President	Merridale Ciderworks Corp.
Parimal Rana	Quality Assurance Manager	Nature’s Path Foods Inc.
Brad Buchanan	V.P. Sales & Marketing	Sun- Rype Products Ltd.
Fred Knoedler	Chairman & CEO	Premium Brands Inc.
Gay Hahn	Controller	Avalon Dairy Ltd.
Denzel Sandberg	Owner	Denzel’s Gourmet Foods Ltd.
Cliff Dunlop	Project Leader	BCIT - Food Process Resource Centre
Werner Knittel	Vice President, BC Division	Canadian Manufacturers & Exporters

Ex-Officio		
Bert Miles	Treasurer	Investment Agriculture Foundation
Margaret Bancroft	A/Deputy Director	Agriculture and Agri-Food Canada
Al Helmersen	Manager	Investment Agriculture Foundation
Debbie Hellbach	Industry Specialist	BC Ministry of Agriculture, Food & Fisheries

With the completion of this strategic plan, the Steering Committee has fulfilled its original mandate. In keeping with the consultants' recommendations, the Committee will assign its mandate to the BC Food Processors Council, which will serve as the steward of the long-term industry strategy. Membership and composition of the Council is now in development.

Should it be successful in securing the proposed funds, the Council will:

1. Lead the implementation and fulfillment of the plan.
2. Designate the Investment Agriculture Foundation (IAF) as the Administering Organization for the funds.
3. Appoint an Adjudication Committee to receive, review and evaluate project proposals eligible for AFFF support.
4. Work with industry organizations and the Administering Organization to raise awareness of the program and solicit suitable proposals.

These relationships are explained in detail in Appendix I.

1.1 Vision:

In keeping with the mandate of its predecessors (i.e., the Food & Beverage Processors Steering Committee and Working Groups), the overall vision of the BC Food Processors Council is:

To enhance the competitive position and capabilities of British Columbia's food and beverage processors so they can achieve a unique competitive advantage for the industry.

1.2 Mission:

To achieve this vision, the industry will focus on goals and objectives that reflect both its natural competencies and a commitment to secure the trust of consumers and value chain partners by working together. The Council's mission is:

To instill trust and confidence in consumers wherever our products are sold by supplying safe, innovative, high quality food and beverage products and constantly evolving to meet changing market demands.

BC processors do this by partnering with stakeholders within the sector and the value chain to optimize manufacturing, marketing and distribution capabilities, by promoting and capitalizing on the province's reputation for excellence in health and lifestyle products and by participating in the development of public policies and regulations that affect the industry.

1.3 Values:

This mission is an extension of industry values, which can be summarized as follows:

- Profitable growth.
- Consumer trust and confidence through the supply of quality products and the assurance of food safety.
- Collaborative, constructive relations with value chain stakeholders.
- Optimization of the natural advantages of BC agriculture.
- Industry competitiveness at the local, regional, national and international levels.
- Innovation.
- Reinforcing the health and lifestyle attributes of BC communities.

2.0 Where Are We Now? Environmental Scan:

Food and beverage processing is a major contributor to the British Columbia economy. According to the Ministry of Agriculture, Food and Fisheries, the industry generates more than \$5.5 billion per year in manufacturing shipments, more than \$2.1 billion per year in value added, and more than 26,000 jobs. It accounts for just over 5% of provincial GDP, placing it third among goods producing industries and within the top ten among all industries in this context.¹

The industry incorporates more than 130 agricultural commodities and consists of a broad range of sub-sectors, the largest of which are: meat products; dairy products; other foods and beverages, poultry and other animal products; and fruits and vegetables.

Historically, the industry has been a leader in Canada's food and beverage sector. However, in the late 1980s and throughout the 1990s a key challenge for BC's food and beverage processors - as it was for all Canadian processors -- was to adjust to the demands of a global marketplace. While several BC processors responded to these changes by expanding nationally and internationally (e.g., Sun-Rype, Yves Veggie Cuisine, Dairyworld) others rationalized their operations by closing or relocating facilities. In the late 1990s, the closure of processing plants by prominent firms such as Vancouver Fancy Meats, Puritan Canners, Intercontinental Packers, Lucerne Foods, Foremost Foods and Dairyland is estimated to have cost the industry as many as 700 full-time jobs.

During this time the industry was actually decreasing in size, as measured by the number of processing plants and jobs resident in the province.² This caused concern within the industry, government and the supply chain as global market conditions shifted the processing industry away from BC to Ontario and Alberta.

However, the period of contraction appears to be over. Manufacturing shipments are 40% higher today than they were a decade ago, employment is now 35% higher and contribution to GDP is more than 30% higher.³ The industry is characterized by increased diversity, a broad mixture of large and small operations, emerging sub-sectors and a high degree of entrepreneurialism among beginning and established firms.

Today, the vast majority of BC food and beverage processors are locally owned. National, 'big brand' companies are prominent in the marketplace but tend to be headquartered elsewhere.

¹ A precise ranking is not possible since BC Stats utilizes the North American Industry Classification System (NAICS) to track Gross Domestic Product by industry and does not account for food and beverage processing on a comparative basis.

² For example, from 1993 to 1996, the number of food and beverage industry employees in British Columbia dropped by 3%.

³ Data are from BC Ministry of Agriculture, Food and Fisheries' web site as well as from staff sources, derived from Statistics Canada Surveys of Manufacturing.

2.1 Industry Structure:

British Columbia's food and beverage processing industry is best described as diverse, fragmented and loosely organized. The industry consists of more than 1,100 firms of various sizes, structures and market areas, grouped around approximately 130 different agricultural commodities. Accordingly, the industry is segmented in a variety of different ways, including:

- Food processors, as distinguished from beverage processors.
- 'Primary' processors (those that convert raw agricultural produce into processed products for sale to consumers, e.g., raspberries, vegetables and mushrooms packaged from the farm as well as prepared products such as packaged beef, poultry and cultured dairy products).
- 'Secondary' processors (those that convert processed foods into finished products for sale to consumers, e.g., refined grains, chocolate, whey powder or other products used as ingredients in the manufacture of 'end' foods).
- Within the beverage sector, alcoholic and non-alcoholic beverages.
- Niche products and emerging categories such as organics and 'functional foods,' nutraceuticals, herbals and botanicals.
- Large, mid-sized and small firms, whether defined by annual sales or number of employees.

2.2 Detailed Profile:

Research conducted for the BC Food & Beverage Processors Steering Committee in the spring of 2003 provides greater insight into the industry's structure. The completion of an industry survey in May 2003 produced the following details⁴:

- **Number of Processors:** A consolidation and updating of databases provided by the British Columbia Ministry of Agriculture, Food & Fisheries and Agriculture and Agri-Food Canada produced a working database of 618 food and beverage processing firms for 2002. Of these, a representative sample of 136 (22%) responded to the survey.
- **Sector Profile:** The industry is fairly evenly distributed between primary processors, secondary processors, and beverage processors, both alcoholic and non-alcoholic. The breakdown is shown in Figure 2-1.
- **Location of Firms:** The vast majority of BC processors reside in the Lower Mainland. Eighty of 136 respondents are located in this region (which includes the Fraser Valley), while 20 are located on Vancouver Island and 34 in the Interior (which includes the Okanagan, Kootenays and Northern BC).

⁴ Nova Quality Research, "BC Food & Beverage Processors' Survey: Survey Results," prepared for the BC Food & Beverage Processors Steering Committee, May 2003.

- **Size:** By number, the vast majority of BC processors are small and mid-sized businesses. One hundred one of the 136 respondents reported annual sales of \$10 million or less. The breakdown is shown in Figure 2-2. Correspondingly, most BC processors have fewer than 20 employees. Only 24 of 136 respondents employed 21-50 employees, and only 27 boasted more than 50 employees. This breakdown is shown in Figure 2-3.

It should be noted that when comparing respondents' views on industry issues and needs, the most significant factor differentiating responses is the size of the firm.

- **Organization:** Significantly, BC's food and beverage processors are loosely organized as an industry. While a majority of firms (58%) belong to one or more sector organizations, unlike most other provinces BC has no broad-based industry association.

Support for the creation of a BC processors' organization exists, with interest in forming such an organization generating a mean score of 6.2 on a ten-point scale, and 79% of respondents willing to pay up to \$500 in annual membership dues.

Figure 2-1:

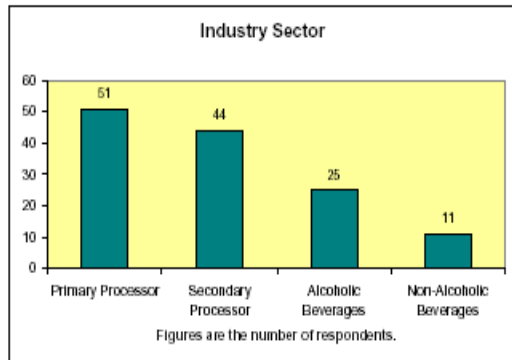


Figure 2-2:

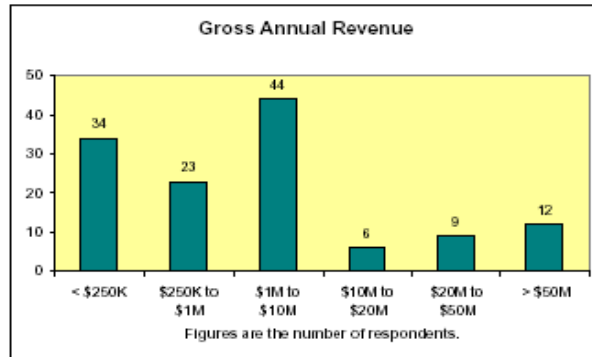
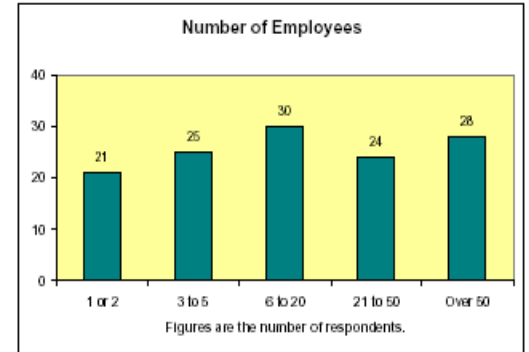


Figure 2-3:



2.3 Competitive Challenges:

Over the past fifteen years, few industries have changed as dramatically as food and beverage processing. Canada's food industry, historically stable, regional and for the most part domestically-focused, is today best characterized as dynamic, global and regionally integrated. Since the late 1980s, the industry has been fundamentally transformed by the combined and overlapping forces of:

- Globalization and economic integration, punctuated by the 1986 Canada-US Trade Agreement (CUSTA), the 1993 North American Free Trade Agreement (NAFTA) and successive rounds of GATT (now WTO) negotiations, particularly the 1995 Uruguay Round Agreement on Agriculture.
- Increased competition at all levels, notably by large transnational food companies entering the Canadian marketplace directly or indirectly.
- Deregulation and re-regulation as policymakers strive to keep food and beverage laws relevant to the demands of the marketplace, changing consumer preferences and the public interest (e.g., food safety).
- Dramatic restructuring in the food distribution sector, marked by fewer and larger customers, increased pressure on prices and new demands with respect to technology and logistics.
- Increased capacity for innovation, product differentiation and cost management, all of which affect processor profitability.

In addition, more specific challenges confront BC processors:

- A relatively high operating cost structure, underscored by comparatively high labour costs.
- The perception of an unfavourable business climate through most of the 1990s.
- Aggressive competition from other jurisdictions, many of which are backed by proactive governments intent on using economic instruments to give resident firms significant commercial advantages (e.g., Alberta, Washington State).
- A strong orientation toward Asian and US markets, whose economies have struggled in recent years.
- The absence of a critical distribution infrastructure (e.g., retail distribution centres in Calgary).
- A 'branch plant' operational structure on the part of 'big brand' manufacturers, leaving BC operations and employees vulnerable to the impacts of corporate restructuring.

2.4 Market Opportunities:

Despite these challenges, BC’s processing industry enjoys a host of natural attributes and other assets that carry opportunities for growth. Most of the market opportunities that have been identified in the prevailing literature on Canada apply directly to BC food and beverage processors, often more so than in any other province.

The 1998 Agriculture and Agri-Food Canada study, “Towards the Next Century – Market Opportunities and Challenges⁵,” identifies numerous growth opportunities in the domestic and international markets, including:

Domestic Market	
<p style="text-align: center;">Trends:</p> <ul style="list-style-type: none"> • Increasing consumer sophistication. • Aging population. • Consumer consciousness: food safety and health. • Ethnic shift (from European to Asian). • Lifestyle changes / demand for convenience. 	<p style="text-align: center;">Category Opportunities:</p> <ul style="list-style-type: none"> • Healthy foods and beverages. • Safe / environmentally friendly products. • High quality products. • Convenient food and beverage products. • Ethnic foods and beverages. • High ‘sensory-appeal’ products. • Fresh foods and beverages.

International Market	
<p style="text-align: center;">Geographic Opportunities:</p> <ul style="list-style-type: none"> • North America (primary export market). • Asia Pacific (5 – 7% annual consumption growth). • Latin America (3 – 5% annual consumption growth). • Developing countries with emerging middle classes and increasingly ‘western’ tastes. 	<p style="text-align: center;">Category Opportunities:</p> <ul style="list-style-type: none"> • Processed beef. • Pork products. • Malt, vegetable oils. • Frozen fries, blueberries. • Wine, beer and distilled products. • Nutraceuticals. • Pet foods.

Of these, virtually all domestic opportunities and several international opportunities are directly applicable to BC processors. In particular, the Agriculture and Agri-Food Canada study notes that the main market opportunity for BC processors lies in the Asia Pacific Region, where the province enjoys a geographic advantage as well as a unique cultural affinity and the ability to supply in-demand products for this market.

These attributes, coupled with well-educated and highly skilled human resources and ready exposure to dynamic markets on the Pacific Rim, also makes British Columbia an ideal test market for new food and beverage products with international/cross-cultural profiles and ‘lifestyle’ appeal.

⁵ Agriculture and Agri-Food Canada, “The Canadian Food & Beverage Sector – Adapting To A Global Market,” (May 1998), available on the AAFC web site at www.agr.gc.ca/food/industryinfo/processing/sector/global_e.html).

In addition, the AAFC study identifies ‘supply chain management issues’ as a significant opportunity for the processing sector: “Improved supply chain management could significantly enhance the profitability and competitiveness of the food and beverage processing sector.” It cautions, however, that “...based on the adversarial relationships ... that have existed in the past, achieving this may pose a challenge.” Significantly, the project consultants have found a high level of receptiveness to ‘value chain’ improvement opportunities and to overcoming “adversarial relationships” among representatives of the food and beverage distribution sector.

Presently, BC processors are well-positioned to capitalize on promising areas of market opportunity. Many are already active in and have an affinity for high-growth niches such as functional foods, organics and ethnic (especially Asian) foods. British Columbia’s reputation for healthy, active living and clean environments bolsters the industry’s opportunity to capitalize on ‘lifestyle’ markets, and on increased awareness of and sensitivity to food safety issues. Strategically, BC processors can benefit from ‘bundling’ these niches into a broader and more coherent market segment that focuses on value-added products geared toward health and lifestyle.

2.5 Industry Assessment:

As part of the development of this strategy, a Situation Analysis was reviewed by the Steering Committee at its July 28 meeting. Table 2-1 summarizes the Strengths & Weaknesses of BC's processing industry, as well as the Threats and Opportunities that confront it from an economic growth perspective.

Table 2 -1: BC Food & Beverage Processors SWOT Analysis

<p>Strengths:</p> <ol style="list-style-type: none">1. Location (geographic access to major markets on the Pacific Rim; access to transportation).2. Access to primary products of quality and variety.3. Skilled/educated workforce.4. Entrepreneurial spirit, especially among smaller processors.5. Cost competitiveness on a global basis.6. Diversity of the domestic market.
<p>Weaknesses:</p> <ol style="list-style-type: none">1. Fragmented industry: large variation in commodity groups and organizational size.2. Independence of processing firms, which inhibits cohesiveness and industry-wide action.3. Lack of 'critical mass' within the industry as a whole.4. Distance to centres of retail grocery industry.5. Relatively small market size, both within province and within region.6. Cost competitiveness on a regional basis.7. Complex regulatory structure and (arguably) uncooperative political culture.8. Low margins and relatively small investments in innovation as result of concentrated customer market.9. Relatively small R&D infrastructure.10. Few 'big brands' domiciled here.

Opportunities:

1. Demographically diverse consumer market – receptive to new products.
2. Cultural receptiveness to nutrition, health & lifestyle products.
3. Entrepreneurial spirit of small processors with little resistance from big brands enhances speed of response to market opportunities.
4. Market synergies with Asia Pacific and western US.
5. Access to global emerging markets (i.e., Asia).
6. New political/business climate emphasizes search for fresh approaches.
7. Chance to work cooperatively with diverse base of growers.

Threats:

1. Perception that BC is a high cost jurisdiction (i.e., taxes, labour, real estate, etc.).
2. Perception that BC business climate is not conducive to new investment.
3. Shift in market power / leverage to the retail distribution sector.
4. Competition from proactive governments (i.e., funding) in other jurisdictions, e.g., Alberta, Washington State, Quebec.
5. Low barriers to implementation of an industry strategy in other jurisdictions.
6. Difficulty in defining a common focus/strategy because of industry fragmentation.
7. Further consolidation in the distribution sector favours corporate alliances over industry organization and strategy.

3.0 Where Do We Want to Go? The Strategy in Brief:

Based on the foregoing information, the BC Food & Beverage Processors Steering Committee endorses an industry strategy that will enable BC's food and beverage processors to develop their natural and acquired capabilities and to exploit competitive advantages in an increasingly dynamic, global and segmented marketplace. The strategy focuses on:

- Meeting the needs of BC's food and beverage processors by creating opportunities to share information, pursue common goals and address industry issues by working together.
- Enabling the industry to capitalize on BC's competitive advantages by positioning itself as Canada's leader in health & lifestyle-oriented food, beverage and related consumer product markets.
- Leveraging the industry's competitive capabilities by building relationships across the value chain and by implementing specific value chain initiatives.

The Committee believes that responding to defined processor needs is essential to uniting the industry so it can optimize competitive capabilities and pursue new opportunities that would otherwise be beyond the grasp of individual firms or sub-sectors. Research conducted for the Steering Committee has defined these needs as:

- a) Facilitating access to relevant industry information.
- b) Providing education and understanding on industry regulations and issues.
- c) Obtaining meaningful input into regulatory and policy development processes.
- d) Improving market access.
- e) Increasing access to capital, and
- f) Increasing access to skilled labour.⁶

3.1 Strategic Goals:

The strategic goals of BC's food and beverage processors reflect both the findings of the spring 2003 research and the strategic direction endorsed by the Steering Committee at its July 28 meeting. These goals can be summarized as follows:

1. Enhance the competitive position of BC food and beverage processors.
2. Build BC's reputation as a leader in health and lifestyle-oriented food and beverage products.
3. Build business relationships and opportunities for collaboration with Value Chain partners.
4. Enhance communications and coordination among industry stakeholders.

⁶ Ibid.

3.2: Strategic Initiatives and Action Plans:

The Strategic Plan provides processors with the opportunity to participate in initiatives that will advance the industry toward its strategic goals. By submitting proposals to the Adjudication Committee, processors (whether through their own sector organizations, or in partnership with other organizations or through consortia of firms) will have access to funding for specific projects that benefit their firms, sub-sectors and the industry at large.

Overall, the plan emphasizes the importance of processors and their value chain partners working together, and creates specific opportunities to build relations and address specific needs and issues. In doing so, it lays the foundation for a more united, effective and competitive processing industry.

3.3 Expected Outcomes:

Within this plan, strategic actions are typically undertaken through projects, each of which is expected to deliver defined outcomes that benefit the industry as a whole. In general, these outcomes can be categorized as follows:

1. Enhanced knowledge, education and understanding on the part of industry members and related stakeholders.
2. Stronger relationships and opportunities for market access across the industry and various distribution channels.
3. Opportunities for meaningful and constructive input into industry issues.
4. Opportunities for collaboration and barrier removal across the value chain.
5. Enhanced industry profile and reputation.

4.0 How Will We Get There? Strategic Initiatives:

The following table summarizes the strategic initiatives that are envisioned to achieve these goals:

Strategic Goals		Strategic Initiatives	
1.	Enhance the competitive position of BC food and beverage processors.	1.1	Increase access to information on industry issues, government programs and funding sources.
		1.2	Facilitate increased access to markets and major distribution channels.
		1.3	Promote/pursue research, analysis and review of competitiveness issues and opportunities for food and beverage processors to work together.
		1.4	Increase productivity and availability of required skilled workers.
		1.5	Facilitate increased access to capital for small and mid-sized processors.
		1.6	Enhance food safety through awareness, education and adoption of best practices in the processing sector.
		1.7	Build processor technical capabilities through education/ training and technology transfer.
2.	Build BC's reputation as a leader in health & lifestyle-oriented foods and beverages.	2.1	Raise processor awareness and understanding of market trends and opportunities in the health & lifestyle segment.
		2.2	Enhance BC's profile and market presence in the health and lifestyle segment by sponsoring forums and educational events.
		2.3	Build cooperative relations with organizations marketing BC products in the market segment.
3.	Build business relationships and opportunities for collaboration among value chain partners.	3.1	Promote and initiate partnerships between processors and related value chain members.
		3.2	Promote and adopt the use of production, processing, distribution and product standards that respond to the needs of value chain partners.
4.	Enhance communications and coordination among industry stakeholders.	4.1	Build processor awareness of and participation in strategy implementation.
		4.2	Expand opportunities for strategic alliances with food and beverage processing organizations within BC and in other jurisdictions.

5.0 How Will We Know We've Succeeded? Actions, Outcomes and Performance Measurement:

Each strategic initiative is accompanied by a detailed list of action items for which project proposals will be entertained. While it will be up to the project proponents to define performance measures that are satisfactory to the Committee, in each case the outcomes will be expected to advance the industry toward the fulfillment of the Strategic Plan.

Strategic Goal		Strategic Initiative		Action Items	Anticipated Outcomes	Possible Performance Measures
1.	Enhance competitive position of BC processors.	1.1	Increase access to information on industry issues, government programs and sources of funding.	Develop and/or enhance web-based searchable information databases accessible to all processors. Lead or sponsor workshops, conferences and other education opportunities to inform and educate processors on key industry issues.	Effective and up to date web sites with dynamic search engines and efficient user interfaces, including, -- potentially -- a single portal or comprehensive directory of resources. Workshops and conferences on industry issues.	To be defined by project proponents.
		1.2	Facilitate increased access to markets and major distribution channels.	Partner with associations and industry leaders in the distribution sector (e.g., retail grocery, Hospitals, Restaurants & Institutions, specialty retailers and exporters) to implement initiatives for enhancing processor understanding of distribution channel needs and to build business relationships. Create opportunities for joint initiatives with associations and industry leaders in the distribution sector.	Workshops, forums and other mechanisms leading to processor understanding of channel needs and ways to increase market access. Enhanced relations with distribution channels. Broader processor networks. Recognition of joint marketing initiatives as a vital component of processors' marketing plans.	To be defined by project proponents.

		1.3	Promote/pursue research, analysis and review of competitiveness issues and opportunities for food and beverage processors to work together.	<p>Establish an industry wide committee to review emerging issues, seek industry input and undertake action to address them.</p> <p>Lead or sponsor projects to undertake research and analysis, review and reporting on competitiveness issues.</p>	<p>Committee-led workshops, forums and other instruments become the principal conduits for gathering industry input into competitiveness issues.</p> <p>Credible research and analysis that industry and government can use to enhance competitive position of the BC industry.</p>	To be defined by project proponents.
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		1.4	Facilitate increased productivity and availability of skilled workers.	Lead or sponsor productivity enhancement training, efficiency workshops and in-plant evaluations.	Improved productivity and reduced labour costs.	To be defined by project proponents.
				Conduct a needs assessment to define and quantify skilled labour requirements over the next five years.	<p>Full understanding of labour needs and capabilities.</p> <p>Post-secondary curriculum development opportunities.</p>	To be defined by project proponents.
		1.5	Facilitate increased access to capital for small and mid-sized processors.	Lead or sponsor workshops, conferences and other education opportunities that connect processors with lenders.	Initial workshop and long-term working relationship with lenders.	To be defined by project proponents.
		1.6	Enhance food safety through awareness, education and adoption of best practices in the processing sector.	Jointly sponsor food safety training courses with other stakeholder organizations and government.	Implementation of training programs resulting in adoption of improved product safety practices.	To be defined by project proponents.

		1.7	Build processor technical capabilities through education/ training and technology transfer.	<p>Jointly sponsor technical skills development workshops and training programs with education/ technical/ research institutions and industry organizations.</p> <p>Sponsor or initiate technology transfer programs in processing and packaging systems.</p>	<p>Implementation of training programs and enhancement of processor technical skills.</p> <p>Adaptation and adoption of technologies for enhancing processor competitive position.</p>	To be defined by project proponents.
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2.	Build BC's reputation as a leader in Health & Lifestyle-oriented foods and beverages.	2.1	Raise awareness and understanding of opportunities and growth potential in the Health & Lifestyle segment.	<p>Publish an annual bulletin of market trends with emphasis on the Health & Lifestyle.</p> <p>Facilitate access to for-purchase market information.</p>	<p>Annual market review/trend spotting report.</p> <p>Creation of a buying group for accessing market research.</p>	To be defined by project proponents.
		2.2	Enhance BC's profile and market presence by sponsoring forums, educational and promotional events.	Select event topics that raise industry's profile and build confidence in this market.	<p>Ad hoc advisory committee.</p> <p>At least one event per year.</p>	To be defined by project proponents.
		2.3	Build cooperation with related organizations to ensure consistent messaging, coordinated strategy and promotional synergies.	Partner with organizations that market BC food and beverage products (e.g., Restaurant Association, retail grocers, specialty market retailers) to promote the Health & Lifestyle benefits of BC foods and beverages.	<p>Creation of a Coordinating Committee.</p> <p>Minimum of four (4) joint promotional projects in accordance with Terms of Reference.</p>	To be defined by project proponents.

3.	Build business relationships and opportunities for collaboration among value chain partners.	3.1	Promote and initiate partnerships between processors and related value chain stakeholders.	Sponsor or initiate industry-wide conferences and workshops on value chain concepts, applications and opportunities.	Implementation of the conference and workshops. Increased awareness of value chain opportunities and cooperation with value chain partners.	To be defined by project proponents.
		3.2	Promote and adopt the use of production, processing, distribution and product standards that respond to the needs of value chain partners.	Work with other organizations such as BC Food Technologists and FCPMC to catalogue best practices, universal programs (e.g., HACCP, ISO 9000) and overarching regulatory requirements (e.g., labeling). Work with retail sector to conduct a gap analysis of existing practices and distribution requirements.	Understanding of best practices and expected standards across the industry. Practical relationship-building with value chain partners. Support for specific value chain improvement projects that emerge from these relationships and analyses. Groundwork for future development of a processors' certification program.	To be defined by project proponents.
4.	Enhance communications and coordination with industry stakeholders.	4.1	Build awareness of, support for and participation in strategy implementation.	Implement a comprehensive communications strategy using websites, existing industry newsletters, publications, forums and direct processor contact.	Implementation of the web site and other critical communications vehicles.	To be defined by project proponents.
4.2		Expand opportunities to fulfill strategic alliances with food and beverage processing organizations in other jurisdictions.	Assess and act on opportunities for strategic alliances with existing industry organizations within and outside BC.	Projects and initiatives delivered through alliances of processor organizations. Formal and informal strategic alliances established between organizations.	To be defined by project proponents.	

6.0 Implementation Plan:

This plan covers a five-year term beginning in winter 2004. We anticipate that much of early 2004 will be used to 'ramp up' plan implementation by finalizing governance and administration arrangements, communicating with industry stakeholders and soliciting project proposals. Major initiatives are expected to begin in the second quarter of 2004. The Committee recognizes the importance of starting quickly to build support and provide an effective launch, so a plan of specific initiatives for the first twelve months is included in Section 6.3.

6.1 Administration:

The British Columbia Food Processors Council will proceed quickly with the implementation of this plan. Upon approval, the Council will designate the Investment Agriculture Foundation to implement the administrative framework described in Appendix I, and will appoint an Adjudication Committee.

6.2 Funding:

Tables 6-1 and 6-2 summarize the funding allocations by year and by strategic goal. Given the breadth and diversity of the processing industry, flexibility is an important principle in executing the plan. In keeping with the Administrative Guidelines in Appendix I, the Council will submit to the Investment Agriculture Foundation an annual work plan which will detail the budgetary allocations for each project as well as their progress and achievements to date. It will designate an Adjudication Committee responsible for receiving and reviewing project applications.

The total Agri-Food Futures Fund (AFFF) commitment to this strategy is \$1.5 million over five years. The financial plan assumes a 50:50 cost sharing agreement between the industry and the Agri-Food Futures Fund (AFFF), i.e., industry will provide matching funds in cash and in-kind. It is understood that each party's share of the funding may vary by project (e.g., 60:40, 30:70, etc.) but that in principle, the ratio of industry-to-AFFF funding will be 50:50 over the life of the agreement. It is further understood that in-kind contributions will not exceed 50% of industry's contribution, or 25% of the total budget over the life of the agreement.

Funding Allocations:

Table 6-1 summarizes potential funding allocations for the years 2004-2009. The plan assumes that first year initiatives will, in part, be used to disseminate information and build awareness and support, so a larger amount of AFFF funding will be requested for this period. Major strategic initiatives are expected to launch in the second and third years of the initiative, so the largest share of the total budget will be assigned to these years.

Funding Principles:

The following principles are proposed to guide the allocation and administration of funds for this initiative. These principles are intended to maximize flexibility for project proponents while maintaining the integrity of the plan and the funding agreement.

- All processing groups and organizations will have equal opportunity to participate in strategic initiatives outlined in this plan, and to apply for funding.
- Higher levels of AFFF contributions may be requested for strategic initiatives that are specifically identified in the plan to help the industry achieve its strategic goals.
- Higher levels of industry contributions may be expected for initiatives that have direct and immediate benefits for specific processor groups or organizations.
- In-kind contributions will be valued at prevailing market rates and are subject to the policy of Investment Agriculture Foundation as trustee of Agri-Food Futures Funds.
- Higher levels of in-kind contributions may be accepted for initiatives that are specifically identified in the plan to help the industry achieve its strategic goals; conversely, higher levels of cash support may be expected for initiatives that have direct and immediate benefits for specific processor groups or organizations.

Table 6-1: Potential Funding Allocations by Fiscal Year:

Fiscal Year	Total		AFFF		Industry	
	\$ (000)	% of total	\$ (000)	% of share	\$ (000)	% of share
2004-05	450	15	300	67	150	33
2005-06	900	30	450	50	450	50
2006-07	700	23	350	50	350	50
2007-08	500	17	250	50	250	50
2008-09	450	15	150	33	300	67
Total	\$3,000	100%	\$1,500	50%	\$1,500	50%

Up to 10% of the Agri-Food Futures Fund contribution will be paid as a fee for program administration.

Table 6-2 summarizes the potential allocations by strategic goal. The plan assumes that goals related to the critical components of this strategy (i.e., enhancing the industry's competitive position by responding to defined processor needs, increasing trust and confidence in value chain partners and positioning the industry as a leader in health & lifestyle products) are of the highest priority and will therefore command the largest share of the budget.

Table 6-2: Potential Funding Allocations by Strategic Goal:

Strategic Goal	Total		AFFF		Industry	
	\$ (000)	% of total	\$ (000)	% of share	\$ (000)	% of share
1. Enhance Competitive Position	1,900	64	950	50	950	50
2. Leadership in Health/ Lifestyle	640	21	320	50	320	50
3. Value Chain Business Relationships	400	13	200	50	200	50
4. Communications/coordination	60	2	30	50	30	50
Total	\$3,000	100%	\$1,500	50%	\$1,500	50%

6.3 First Year Work Plan:

The Committee recognizes the importance of getting off to a ‘fast start’ with the implementation of this strategic plan. Raising awareness and building support for the initiatives, projects and other opportunities that support the strategy will be essential to the industry’s long-term success. Accordingly, the Committee has developed a comprehensive work plan for Year One (2004-2004) of the Conditional Grant Agreement. The work plan includes a prioritized list of initiatives, a timeline and a budget detailing funding contributions from industry and the Agri-Food Futures Fund.

The First Year Work Plan is included in this document as Appendix II.

Appendix I: Administrative Guidelines

A) Roles and Responsibilities:

1. BC Food Processors Council:

- Steward of the industry strategy.
- Body of processor representatives responsible for overseeing the implementation of the Industry Strategic Plan and ensuring that the goals of the plan are fulfilled.
- Responsible for ensuring that the duties of the Administering Organization are fulfilled.
- Appoints and directs the Adjudication Committee.
- May pursue or enter strategic alliances with sector organizations as appropriate.
- Aggregates, coordinates and articulates the views of BC food and beverage processors with respect to the Strategic Plan.

Composition: The existing Steering Committee will be re-constituted as the BC Food Processors Council and its mandate refreshed.

Relationships: Responsible for implementation and fulfillment of the Industry Strategic Plan, the Adjudication Committee and accountable to the industry at large.

2. Adjudication Committee:

- Receives, reviews and assesses project applications in accordance with these Administrative Guidelines.
- Approves or rejects applications.
- Provides advice to the Administering Organization regarding problematic projects.
- Review initiative progress reports prepared by the Administering Organization for submission to the IAF.
- Recommends changes and/or improvements to these Guidelines as appropriate.

Composition: six - eight appointees drawn from the Council and from industry at large as well as ex-officios from the BC Ministry of Agriculture, Food and Fisheries, Agriculture and Agri-Food Canada and the Investment Agriculture Foundation; two-year appointments in staggered rotation; Chair must be from the Council.

Relationships: Accountable to the BC Food Processors Council; works closely with the Administrator.

3. Investment Agriculture Foundation of BC – the Administering Organization:

- Administers funds in accordance with the IAF policy guidelines, including:
 - a. Holding and managing funds and administering payables.
 - b. Accounting for funds and preparing financial statements.
 - c. Providing sound financial management and maintaining records for audit purposes.
- Processes project proposals, including:
 - a. Responding to queries about project funding applications.
 - b. Helping applicants ensure their applications are complete and accurate.
 - c. Pre-qualifying applications for the Adjudication Committee.
 - d. Enter into Contribution Agreements with applicants as recommended by the Adjudication Committee.
 - e. Communicating with project applicants during the application process and through the life of the approved projects.
- Monitors and reports on project activity.
 - a. Receives progress reports from project proponents.
 - b. Determines adequacy of project delivery and authorizes payments to recipients.
 - c. Identifies projects with substantive changes or problems and provides recommendations to Adjudication Committee for consideration.
 - d. Prepares mid-year and annual progress reports for Council submission to the IAF.
 - e. Prepares requisitions for transfer of funds into the recipient's account.
- Receives input of the Council, through the Adjudication Committee, prepares and submits to the IAF, on behalf of the Council, the mid-year and annual work plan and audit plan for the upcoming year.
- Provides administrative support for the Adjudication Committee meetings as required.
 - a. Coordinate and attend meetings of the Committee.
 - b. Prepare and circulate minutes of meetings.
 - c. Maintain records of the Committee.
 - d. Prepare and circulate the mid-year and annual reports as per the directions of the Committee.
- Promotes industry awareness of the Industry Strategic Plan, of the application and reporting requirements, solicits project proposals and posts project approvals and summary results on the administrator's website.

Relationships: Works directly with the Council and the Adjudication Committee on matters relating to fund administration. Serves as a resource to industry and related stakeholders for all inquiries about the Food Processing Initiative.

B) Deliverables and Responsibilities:

1.	Oversee implementation of the Strategic Plan	BC Food Processors Council
2.	Communicate and promote awareness of the Food Industry Initiative and of projects funded	Administrator
3.	Submit Annual Work Plan and Audit Plan	Administrator
4.	Receive, review and approve project proposals and substantive project amendments.	Adjudication Committee
5.	Produce records of decision on project applications and communicate committee decisions to applicants	Administrator
6.	Design and post web-based program guidelines, application form and reporting templates for this initiative	Administrator
7.	Produce and enter into Conditional Grant Agreements with the recipients of approved projects	Administrator
8.	Receive and evaluate all project reports, deliverables and accounting for matching funds and, where appropriate, pay recipients' claims	Administrator

C) Process: Setup of Administrative Structure:

1. The BC Food & Beverage Processors Steering Committee will submit the Strategic Plan to the Investment Agriculture Foundation for approval.
2. The BC Food and Beverage Processors Steering Committee will review its own composition and mandate. Upon review it will reconstitute itself as the BC Food Processors Council and institute a new mandate.
3. The Council will utilize the Investment Agriculture Foundation of BC as the Administering Organization.
4. The Council will appoint an Adjudication Committee from its own membership and external stakeholders.
5. The Council will work with the Administering Organization to ensure all necessary arrangements to effectively manage the Agri-Food Futures Funds are in accordance with the Strategic Plan.

D) Criteria for Project Adjudication:

The Adjudication Committee will consider eligibility for funding on the basis of fit with and fulfillment of strategic goals as defined in the Strategic Plan. Applications will be judged on the basis of (but not limited to) the following:

1. Satisfaction of eligibility criteria.
2. Description of project fit with the goals of the Strategic Plan.
3. Identification and commitment of financial partners for the project.
4. Rationale and business case for the project.
5. Clear, concise description of approach, methodology and variable factors.
6. Clear definition of project outcomes and expected results, including benefits to the industry at large.
7. Detailed work plan outlining project elements, milestones, and reporting periods.
8. Detailed budget including allocation of funds by activities, strategic goals and time periods.
9. Completeness of documentation and *bona fides*.

E) Process: Project Applications:

The Adjudication Committee will decide which project proposals will receive funding under this initiative, in accordance with the Strategic Plan. Funding is an application-driven process and will be administered as follows:

1. Interested parties and the Council (for centrally driven projects) will submit project proposals to the Administering Organization.
2. The Administering Organization will pre-qualify the proposals for:
 - Project completeness.
 - Fit with Futures Fund guidelines.
 - Fit with financial requirements.
3. The Adjudication Committee will convene meetings on a scheduled basis (initially bi-monthly and semi-annually thereafter) and may request that specific individuals submit comments or speak to a specific project.
4. Adjudication Committee members will complete an evaluation of the project.

5. Acting collectively, the Adjudication Committee will decide whether or not to fund a project as well as the actual amount of the funding.
6. The Administering Organization will notify the following bodies of the approval of a project within 10 days of a decision:
 - The applicant.
 - The BC Food Processors Council.
7. The Administering Organization will create and sign with the proponent a Conditional Grant Agreement for each approved project. Funds will be disbursed to the applicant according to the funding schedule presented in the project proposal, subsequent funds being provided by the Administering Organization, subject to satisfactory performance by the project proponent, at intervals specified in the Conditional Grant Agreement.

F) Process: Evaluating Progress Reports and Approving Payments:

Approval of payments is subject to IAF guidelines. In general, payments are processed in accordance with the completion of project outputs and receipt of reports from project proponents. Proponents are required to identify completed project deliverables at each reporting interval and eligibility for payment in accordance with the Conditional Grant Agreement. Ineligible expenditures must be identified and removed from invoices to be paid by IAF. Separate financial records must be maintained for each project.

H) Completion of Projects:

Upon completion of an eligible project, project proponents will submit a final report to the Administrator, whereupon the final AFFF payments will be released. It is understood that unless otherwise agreed, ownership of project reports will rest with the BC Food Processors Council and may be made public via the Administering Organization website and other communication channels, unless confidentiality is specifically agreed to in advance.

G) Funding Administration:

The financial plan provides for the administration of the funds and of the overall initiative. Administrative costs and Adjudication Committee operational costs, excluding per diems, can be up to 10% of the AFFF funds disbursed and are built into the overall budget.

Appendix II: First Year Work Plan

The BC Food & Beverage Processors Steering Committee believes it is important to launch the industry strategy quickly and constructively. It proposes an aggressive first year work plan that emphasizes swift implementation and the delivery of tangible benefits to industry members.

The First Year Work Plan is designed to encourage participation and build support by implementing initiatives that respond to industry needs, as defined in the research, and deliver value to individual members. The key strategic initiatives are:

- a) Enhance the competitive position of BC processors by:
 - Leading and/or sponsoring advanced Food Safety/HACCP workshops.
 - Leading and/or sponsoring Access to Capital workshops modeled after successful events in Ontario.
- b) Build BC's reputation in health and lifestyle product markets by:
 - Developing and disseminating market trends bulletin.
- c) Build business relationships and opportunities for collaboration with Value Chain partners by:
 - Initiating an industry-wide conference or forum on Value Chain concepts, applications and improvement opportunities, possibly in conjunction with the Canadian Council of Grocery Distributors and the Chilliwack Agriculture Commission.
- d) Enhancing industry communications and coordination by:
 - Aggressively promoting the Industry Strategic Plan and soliciting project proposals.
 - Coordinating/participating with non-BC organizations on strategic initiatives that support this plan (e.g., CCGD on value chains, FCPMC on food safety, CME on export development, etc.)
 - Pursuing meetings with external organizations and participating in the activities of the Food Processors Alliance⁷ on an ongoing basis.

⁷ The Food Processors Alliance is a national forum for food and beverage processing organizations across Canada. At present, its primary role is to facilitate the exchange of information and identify areas of common interest across federal and provincial jurisdictions.

II:A First Year Work Plan: Activity Timelines

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
I. Enhance Competitive Position												
a) HACCP / Food Safety workshops (3 regional venues)				▲	▲							
b) Access to Capital workshops (3 regional venues)						▲						
II. Build Reputation in Health & Lifestyle												
a) Develop Disseminate Market Trends Bulletin												▲
III. Promote Value Chain Opportunities												
a) Initiate/conduct industry-wide forum									▲	▲		
IV. Communications / Coordination												
a) Promote the Strategic Plan		▲	▲	▲	▲	▲						
b) Coordinate/participate with non-BC organizations on strategic initiatives that support this plan (ongoing, but plan min. 2 meetings/year)				▲						▲		
c) Participate in Food Processors Alliance (ongoing)			▲									▲
V. Administration												
Council Meetings to oversee Plan and stewardship of AFFF:												
a) Appoint Adjudication Committee			▲									
b) Review applications for funds					▲		▲		▲			
c) File annual Work Plan												▲
d) File annual financial statements												▲

II:B) First Year Work Plan Activities - Budget

Strategic Goal	TOTAL		AFFF		Industry		
	\$(000)	%	\$(000)	% of share	In Kind \$(000)	Cash \$(000)	% of share
Council Initiated Projects:							
1 Enhance Competitive Position							
a) 3 HACCP / Food Safety workshops	37.0	8.2	24.0	64.9	4.0	9.0	35.1
b) 3 Access to Capital workshops	18.0	4.0	11.7	65.0	1.8	4.5	35.0
2 Build Reputation in Health & Lifestyle							
a) Publish Market Trends Bulletin	20.0	4.4	13.0	65.0	2.0	5.0	35.0
3 Value Chain Business Relationships							
a) Initiate industry-wide forum	20.0	4.4	13.0	65.0	2.0	5.0	35.0
4 Communications / Coordination							
a) Promote the Strategic Plan	40.0	9.0	30.0	75.0	6.0	4.0	25.0
b) Coordinate/participate with non-BC organizations on strategic initiatives that support this plan (e.g., CCGD on value chains, FCPMC on food safety, CME on export development, etc.)	10.0	2.2	6.5	65.0	1.0	2.5	35.0
Sub Total	145.0	32.2	98.2	67.7	16.8	30.0	32.3
Projects Supporting Strategic Goals:	305.0	67.8	201.8	66.2	26.9	76.3	33.8
TOTAL	450.0	100.0	300.0	66.7	43.7	106.3	33.3

Appendix III: Communications Strategy:

The purpose of the Communications Strategy is to:

- Raise awareness and understanding of the Strategic Plan among BC processors and other stakeholders in the food and beverage value chain.
- Promote participation in the strategic initiatives outlined in the plan, and help solicit project proposals.
- Report on the industry's progress toward fulfillment of the plan, including achievements in individual initiatives.
- Celebrate successes and promote a 'culture' of growth and optimism among BC processors.

The Communications Strategy is an integral part of the Industry Strategic Plan and will be implemented immediately upon approval to proceed. The Communications Strategy will include the following action items:

- Announcement and promotion of the industry strategy.
- Solicitation of project proposals, including distribution of 'how to apply' information.
- Periodic updates / progress reports on individual initiatives and fulfillment of the strategic plan.
- Use of a web site as central news and information repository.
- Information support for Ministers of Agriculture, sector organizations, local media.
- Outreach to communications channels of value chain partners.

The Communications Strategy will expand upon an existing communications infrastructure furnished by the Investment Agriculture Foundation and adopted by the Steering Committee as part of its umbrella organization feasibility / strategy development project. This infrastructure utilizes internet technology as a primary vehicle, supplemented by an array of print materials. Communicating through existing sector organizations is likely to be an additional component of the Communications Strategy.

The Communications Strategy will apply through the life of the Industry Strategic Plan. Primary responsibility for its execution will rest with the Administering Organization.