

## MCEC committed from p.1

*[the plant's] focus on niche markets will provide an opportunity for our beef producers to expand their businesses into higher value halal, kosher and other non-commodity based markets."* – Doug Chorney, Keystone Agricultural Producers

*"The plant will help the Manitoba beef industry manage risk and ultimately provide a more competitive marketplace for both ranchers and consumers while creating new jobs in the St. Boniface area of Winnipeg."* – Dairy Farmers of Canada

*"We believe that the Manitoba toll processing facility had all of [the necessary] components and it would be a mistake that would be felt by the entire Canadian beef industry if this venture did not proceed."* – Gary Etherington, Beef Industry Alliance

*"Canadian Legacy Partners strongly supports [this project] and would like to continue conversations to ensure that we are one of your custom slaughter clients."* – David Fiddler, Canadian Legacy Partners

*"The project itself is very exciting: it re-invigorates the cattlebeef industry, provides for kosher meat slaughtering according to the highest standards that would allow for the meat not only to provide for the Manitoba Jewish and Muslim communities, but would also export to the US via Centreport."* – Shelley Faintuch, Jewish Federation of Winnipeg

*"The Chamber believes this project has the potential to be a tremendous asset to not only the City of Winnipeg but also the Province of Manitoba in achieving greater prosperity. We think this project also addresses a key national objective to increase value added processing in Canada."* – Dave Angus, The Winnipeg Chamber of Commerce



*"The MCEC has assembled an experienced management team for the project and we are excited by the very real prospect of significant additional jobs and economic investment in our community."* – Bill Morrissey, Yes! Winnipeg

## The strong case for toll processing in Manitoba

### Federal funding decision based on old business model

Momentum has been building for the proposed new federally-inspected beef plant in St. Boniface. Beyond the land being purchased, critical environmental approvals have been obtained and vital letters of interest from potential buyers have been secured.

The plant was to be backed by a combination of funds coming from MCEC (\$7.5 million), a major private bank (\$18.2 million) and the federal government (\$10 million). That changed in July when the federal government withdrew its previous commitment.

Among the reasons cited was a belief that a toll processing plant would not

succeed in a market dominated by large commodity players. This was despite the fact that toll processing has proven to be highly successful and profitable in a growing number of jurisdictions around the world including in North and South America.

### What is toll processing?

The St. Boniface plant's business plan is based on the philosophy that it's better to find niche markets than to compete head to head in the commodity beef game with the large main line processors. That game requires size and scale to survive.

But a small plant can target areas of the global beef market that aren't served by those large multinationals. That's where the toll processing concept comes in: Rather than

purchase cattle and market beef on its own account, the plant is proposing to sell its services to tollers. Tollers are customers who need the harvest, fabrication and packaging of beef products that they market under their own brands. Tollers typically market niche products such as kosher beef. The plant is paid on a "cost plus" basis for performing the service.

There is no comparable toll processor in Canada today, but there are many around the world that are very successful in tapping into growing international food demand.

The Astana Group has run a number of these plants. Its most recent venture was in Uruguay which it sold after establishing it as a profitable exporter into global markets.

## Project Milestones to Date:

**2006** – MCEC formed to promote investment in the Manitoba beef industry.

**October 2007** – Maple Leaf Foods closes Winnipeg pork processing plant.

**July 2008** – MCEC funds purchase of former Maple Leaf plant for \$1.2 million.

**December 2008** - Plant begins limited operations as Keystone Processors Ltd.

**November 2009** – MCEC joins federal agriculture minister Gerry Ritz in announcing \$17.5 million in conditional funding for the plant's reconstruction and conversion to a federally-inspected beef slaughtering and processing facility.

**March 2010** – Federal Environmental Impact Assessment Application submitted.

**August 2010** – Approval received for Federal Environmental Impact Assessment.

**August 2010** – Astana Group engaged as business advisors to MCEC.

**September 2010** – Plant is decommissioned in preparation for reconstruction; ceases operations as Keystone Processors.

**January 2011** – Corporate re-organization complete with producer funded MCEC owning 90 per cent of the common shares in the plant as well as a first convertible mortgage.

**January 2011** – Final engineering drawings and blueprints complete. Site decommissioning and permitting begins.

**March 2011** – Bank financing term sheet finalized for \$18.2 million.

**July 2011** – Federal funding withdrawn. Bank financing and MCEC support reconfirmed. Astana Group re-commits to project. Management re-initiates discussions with other potential investors to shore up remaining financing before beginning construction.