

Functional foods may loom large

By: Martin Cash

1:00 AM | [Comments \(0\)](#)

About three years ago, Winnipeg was one of three finalists to be the site of a new back-office operation for a well-known U.S. multinational.

According to someone who knew the situation, a small, U.S. West Coast city was selected over Winnipeg because of the company's concern about the out-migration of Winnipeg's youngest and brightest.

A deep, broad global recession is likely not the optimal time for any company to be making multimillion-dollar investments in new production locations. But according to a New Jersey-based location consultant, when it comes to the functional foods and nutraceuticals business, Winnipeg is looking better and better -- and not just because the out-migration trend has lately been reversed.

John Boyd of location consultant The Boyd Company, Inc., notes that the functional foods and nutraceuticals industry generates about \$100 billion in revenue around the world and is expected to grow by about 25 per cent over the next few years.

In particular, he said there is growing interest in research and development and commercialization of DDG (dry distillers grain), the residue from the production of ethanol.

"About 99 per cent of North America's ethanol production is in the upper Midwest and Canadian Prairies," Boyd said on Wednesday during a visit here. "And Winnipeg is on the radar screen."

The company recently issued research showing Winnipeg had the fourth-least-expensive operating costs for a bioscience facility compared to 35 American and Canadian cities.

The report points out that "In today's weak North American economy, comparative costs are ruling the corporate site selection process."

It goes on to note that it is more likely for companies to increase their profitability by reducing costs than by increasing revenue.

Boyd says corporate America is starting to take note of its health-care costs -- representing about 40 per cent of payroll costs -- and are increasingly predisposed to look favourably to Canada where costs are half that much.

But the age-old debate about goosing Winnipeg's economy by attracting new industry will only ever apply if the industry makes sense.

In the case of the functional foods business -- and DDG in particular -- Winnipeg certainly makes sense.

Husky Energy operates one of the largest ethanol plants in Western Canada in Minnedosa, so there is ready access to a supply of DDG and researchers at the Richardson Centre for Functional Foods are already cooking up a storm using DDG in experiments.

Curtis Rempel, research development manager at the Richardson Centre, said there are others in Winnipeg, as well.

"It's no surprise that we would be a hotbed," he said. "I have been at three different sustainable development conferences where I have spoken about feeding humans and gas tanks off the same acre. The environmentalists say it can't be done, but I say we just need to be smarter."

Boyd said he has more than one client seriously on the lookout for a location for a functional food plant that would be in the range of 50,000 square feet requiring 150 employees and up-front investment of \$20 million to \$50 million.

Corporations will make their investment decisions on their own schedule, but the elements are coming together in Winnipeg to make a coherent picture that is only likely to get better.

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