



How Community Futures Assists With Rural Diversification

Community Futures

CF organizations in Alberta believe that growth, enhanced productivity, competitiveness and economic diversification in rural Alberta will happen through four strategies:

1. Building entrepreneurial communities
2. Focussing on those sectors of the economy that are wealth generating
3. Energizing entrepreneurs who want to grow their businesses: those who are innovative with technology and processes, want to improve their productivity, and those who are interested in expanding their markets
4. Helping to develop the synergies that are possible in successful clusters and business networks

Strategy 1: Building Entrepreneurial Communities

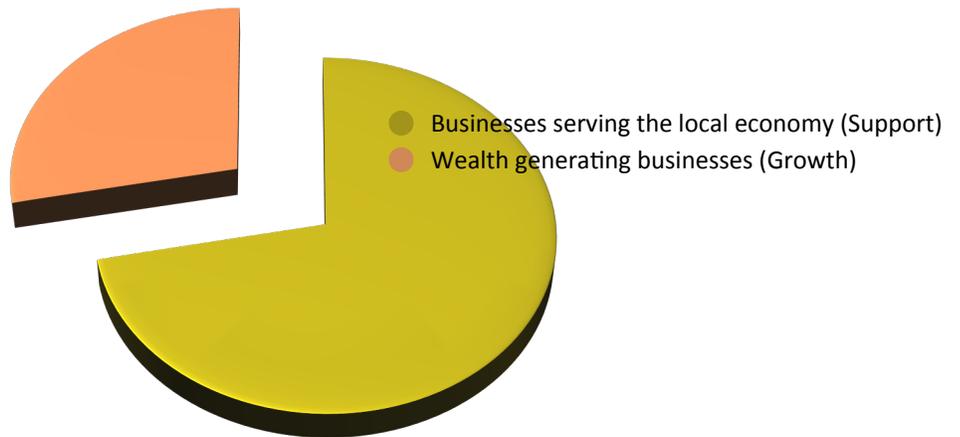
Community Futures needs to build entrepreneurial communities. Entrepreneurial communities:

- Have a strong community based/driven approach to becoming and remaining an entrepreneurial community;
- Understand and act on the need to identify and build upon the community/region's own assets;
- Tend to be regionally; rather than locally orientated;
- Encourage, support and promote entrepreneurial leadership, including community leaders;
- Have well developed entrepreneurial systems. These systems are seamless and coordinated. They provide training, technical assistance, and access to capital to meet a variety of needs of entrepreneurs and their differing levels of education, skills and maturities;
- Work collaboratively to ensure the region has a strong entrepreneurial environment that supports entrepreneurs (including awareness of their important role) and the delivery of quality of life factors important to entrepreneurs, their families and workers.

Strategy 2: Focus on those sectors of the economy that are growth-oriented and wealth generating

Most of the businesses in a small town rely on the local residents to generate sales. These businesses tend to recycle the wealth in a community, but they don't bring wealth in from outside. Therefore, their growth tends to depend on the increase in population of the area. However, there is another group of businesses in a rural community that actually brings wealth in from outside. These businesses have markets outside of the local area and their growth does not depend on the population growth of the community. These kinds of businesses tend to be innovative (interested in new processes and new technology), they tend to be export oriented (even if "export" means to sell their products and services to cities), and they tend to provide higher paying jobs.

Historically CF activities have served to build and expand the support industry sector of the local or regional economy. However, CF organizations have shifted their priorities to ensure that they strategically concentrate more of their activities and projected outcomes towards achieving results with growth-oriented businesses.



Increased CF focus here



Decreased CF focus on support business



Examples of growth-oriented, wealth generating sectors in rural Alberta include:

<p>Oil and Gas Exploration, Drilling, and Service: There are about 1,000 active oil and gas companies in Alberta – 5% are large multi-nationals. This industry exports out of the region, is connected to external markets and global value chains, and is a networked form of production – there are many, many specialized firms in this industry with lots of outsourcing and contracting. It is hard to overstate the importance of this industry to rural Alberta: in addition to direct jobs, oil and gas crews are in some cases the prime customer for rural motels and restaurants; oil leases and road access rents provide income to farmers and ranchers; and many rural businesses provide support (manufacturing, reclamation, construction, trucking, engineering, etc.) to the industry. A town of 2500 people like Sundre in west central Alberta could have 30 oil and gas related businesses. According to the Canadian Association of Petroleum Producers, the oil and gas industry makes up approximately 50 percent of the Alberta economy and directly or indirectly employs one in seven Albertans. Key clusters of oil and gas expertise in rural Alberta include Red Deer/Caroline, Grande Prairie up to High Level, southeast Alberta near Brooks, Medicine Hat, and Lethbridge, and of course, the Athabasca Oil Sands in the northeast.</p>	<p>Natural Gas Processing Plants: 80% of natural gas produced in Canada comes from Alberta. Saleable by-products from natural gas processing plants include ethane, propane, butane, sulphur, CO₂, and oil. Sour gas (high in hydrogen sulphide) is processed at 250 plants in Alberta, including 50+ larger facilities that produce elemental sulphur. These plants are most often located in rural areas and provide high paying rural jobs.</p>
<p>Chemical Production: Chemical production in rural Alberta is centered around 4 areas: Medicine Hat (Canadian Fertilizer and Cancarb); Red Deer (Dow Chemicals and Alberta & Orient Glycol); Joffre (Agrium, Dow Chemicals, Ineos, NOVA Chemicals, and ME Global); and Grande Prairie (Arclin and ERCO Worldwide).</p>	<p>Heavy Oil Upgrading: Alberta has 4 heavy oil up-graders: 3 located just north east of Edmonton in Sturgeon County and 1 in Lloydminster. These up-graders produce synthetic crude oil, low sulphur diesel, butane, and hydrogen among other saleable by-products.</p>
<p>Forestry: The third largest industry in Alberta, Alberta has 6 panel board plants, 3 integrated facilities, 5 pulp mills, 1 laminated veneer plant, and over 20 major sawmills. Key clusters of forestry related companies are in Slave Lake, Drayton Valley, Edson, Whitecourt, Grande Prairie, Peace River, and High Level.</p>	<p>Petrochemical Production: Alberta is Canada's leading petrochemical manufacturer with 4 petrochemical plants. The plants in Joffre and Fort Saskatchewan are the world's largest and produce ethylene and derivatives for plastics. These plants have a highly skilled workforce and offer a high average salary.</p> <p>Coal Mining and Electrical Generation: Alberta is Canada's largest producer and second largest coal exporter. There are 10 coal mines in Alberta located in 3 main clusters: Jasper/Hinton, around Edmonton, and in east central Alberta. 6 of these mines provide coal to nearby electric power generating stations. The largest coal mine in Canada is the Highvale mine west of Edmonton. This industry provides high paying rural jobs.</p>

<p>Bio-Products: There are 7 bio-gas plants in the province (either operating or being built) that use products such as manure and food processing wastes to generate bio-gas. There are also 3 bio-diesel plants in the province and a few integrated ethanol plants including Permolex in Red Deer. Lethbridge has a strong cluster around bio-energy companies. The “Bio-Mile” in Drayton Valley is an emerging bio-products cluster with connections to TTS Inc (fibre mats), Otaka Energy (co-gen and gasification of wood wastes) and CLIB2021 (lignocellulosic fuels and chemicals from woody biomass).</p>	<p>Agri-Food: Most of the agrifood processing in Alberta happens in Edmonton, Calgary, Red Deer and Lethbridge. Red Deer is home to Nestle Purina Petcare and Olymel (meat processing) while the Lethbridge region has Sunrise Poultry and Rogers Sugar. This sector is well supported by the Alberta Ag Research Institute, the Food Processing Development Centre in Leduc, the Lacombe Research Centre, and the University of Alberta Agri-Food Discovery Place.</p>
<p>Meat Processing: Beef is Alberta’s number one agri-food export. The big beef processors in the province tend to be located in southern Alberta – close to the US market. They include Cargill in High River and XL Foods in Brooks. There are also a number of small abattoirs located throughout the province.</p>	<p>Seed Cleaning and Processing: Alberta produces 1/3 of Canada’s wheat, barley, and canola. There are 71 seed cleaning plants in Alberta located in 4 regions: southern Alberta, Central Alberta, Edmonton region, and the Peace River region. Red Deer and Medicine Hat have competitive clusters in grain and oil seed milling. Permolex in Red Deer is the first of its kind in North America – an integrated flour mill, gluten plant, and ethanol plant. Rahr Malting in Alix, Alberta is the largest malting plant in western Canada and ships product internationally. Hannas Seeds in Lacombe ships grass seed around the world. Can-Oat Milling in Barrhead produces barley and oat flakes, flour, and bran.</p>
<p>Government Services: Government is an important employer in rural communities especially in health care and serves to bring wealth into the community. Other important government employers in rural communities are prisons, schools, and research centres. They bring highly educated and highly paid people into rural areas and tend to be stable during economic recessions. A key is to integrate small business as suppliers or support businesses to these government facilities.</p>	<p>Aerospace and Defence: Aerospace companies in Alberta are located in 4 areas: Edmonton, Calgary, Cold Lake (Canadian Forces Base), and Medicine Hat (Canadian Forces Base). The Aerospace Engineering Test Establishment is in Cold Lake and the Canadian Centre for Unmanned Vehicle Systems as well as Meggitt Defence Systems Canada are located in Medicine Hat.</p>
<p>Building Products: Important building products produced in rural Alberta include fibreglass, Portland cement (2 plants in Alberta: Edmonton and Exshaw), and lumber.</p>	<p>Tourism and Recreation: almost every small community in rural Alberta is interested in tourism but the typical tourist thinks only about the mountain parks and Edmonton and Calgary. In most rural areas in Alberta, tourism and recreation is dominated by very small businesses.</p>

Examples of Community Futures Targeting Wealth Generating Sectors in Rural Alberta

Tourism in Eastern Alberta: Several Community Futures organizations have worked with Canadian Badlands Ltd. and the Boom Town Trail Tourism group to develop tourism along the eastern side of Alberta. This area of the province has spectacular scenery along the deeply eroded banks of the Red Deer, Battle, and Milk Rivers, is home to a world famous fossil bed and paleontological museum, and offers interesting and unique experiences like the Rosebud Theatre, a Steam Train Tour from Stettler to Big Valley, and the Atlas Coal Mine adventure into a coal mine tunnel in the Drumheller Valley. Tourism is an emerging sector in this region but there are many small businesses active in

hospitality, recreation, and tourism. The CFs have identified tourism as one of their target sectors. They have assisted with building tourism through loans (CF East Parkland – Alberta Prairie Steam Train loan), funds (CF Wild Rose – funds to the Rosebud dinner theatre and School of the Arts, CF Big Country – funds for the Canadian Badlands Ltd and Travel Drumheller, CF East Central – funds for the Historical Tourism Initiative in Wainwright (Buffalo Park) and Bodo archaeological site), and expertise (CF East Parkland assisted the Boom Town Trail in strategic, project and financial management).

Linking small businesses with the Defence Industry: Three Community Futures organizations located close to the Canadian Forces Bases of Cold Lake, Suffield, and Wainwright worked together to develop small businesses so they could act as suppliers to the Bases. The Bases have the ability to do a lot of local purchasing and Community Futures Entre Corp, East Central, and Lakeland identified a need to link small businesses into their procurement processes.

Forestry virtual cluster: Community Futures offices across the north and along the eastern Rockies participated in a “virtual forestry cluster” linking forest-related businesses to investors and best practices around the world using video conference technology.

Linking tourism, theatre, and education: Community Futures Wild Rose provided \$170,000 to the Rosebud School of the Arts in 1990 through the federal Community Initiatives Fund. Since then, Rosebud has grown into a rather famous rural theatre company and school and is in the process of constructing a new theatre and restaurant. A number of small businesses have sprung up in Rosebud including Bed and Breakfasts, inns, art galleries, and niche retail shops and the founders of Rosebud School have spun off another theatre event, The Passion Play, in Drumheller.

Agriculture Value-Added in Central Alberta: Community Futures East Parkland worked with the County of Lacombe and the Village of Alix to assist Rahr Malting to set up in Alix, Alberta – in the heart of barley growing country with access to abundant water. This malting plant, the largest in western Canada, employs local workers and exports product throughout North America.

Westlock New Generation Grain Co-op: Westlock Terminals is an independently operated grain terminal located in the town of Westlock, Alberta that was incorporated as a New Generation Co-op in 2002. It is owned by over 270 shareholders that are a blend of farmers and business people from the draw area surrounding the terminal. Community Futures Tawatinaw assisted in the development of this project. Westlock Terminals and Little Anchor Farms are now working together on crop production and marketing/sales with lots of potential to grow.

Central Alberta Rural Manufacturers Association: Red Deer is a hub for oil and gas service and support businesses. Community Futures Central Alberta worked with a variety of partners including Red Deer College and the Industrial Research Assistance Program (IRAP) to develop a cluster of metal manufacturing businesses that primarily serve the oil and gas sector. Since then, CARMA has evolved into an Association and Red Deer College has a new Centre for Innovation in Manufacturing. The new Centre for Innovation in Manufacturing will train technical specialists in the design and development of prototypes and products. The CF office has also provided loans to manufacturers in the region.

Strategy 3: Energizing Entrepreneurs - Working with Innovative, Growth Oriented Companies

A business that wants to grow, that is interested in being innovative (adopting new processes and technology) and in exporting outside the region can transform a rural community. These are the companies that will hire local people, bring new talent into the community, and create wealth and diversify local economies. Community Futures organizations in Alberta have been helping entrepreneurs grow.

The key characteristics of entrepreneurial firms are an interest in growth and a focus on innovation. Innovation doesn't have to be based on new technology – it can be a new service, process, or marketing technique.

What matters to growth entrepreneurs? In addition to good infrastructure (things like transportation and high speed internet), they say they need:

Access to talent

Access to capital

Networks

Access to Talent: Finding and keeping good people is a prime concern – in good times as well as bad economic times. A region's future economic competitiveness will be directly related to its ability to recruit, train, and retain talented employees.

Access to Capital: As we all know, large firms can access funds through banks and venture capital funds whereas small firms have a more difficult time. The two gaps for smaller firms are seed financing (\$50,000 - \$2 million) and equity financing. Most entrepreneurial companies are founded with less than \$50,000 in start-up seed capital.

Networks: The perception of entrepreneurs as lone wolves is absolutely wrong – they are consummate networkers. They are always looking to connect with other people for sources of capital, strategic alliance partners, service providers (lawyers, accountants, consultants), and other entrepreneurs. This is essential for growing companies.

CF organizations use business counselling, training, and loans to help entrepreneurial firms grow. Of these “tools in the tool box”, the ability to link firms with resources to help build networks may be the most valuable.

Strategy 4: Developing Clusters and Business Networks in Rural Alberta

A cluster is a group of firms operating in the same sector and in close geographic proximity to each other. Firms operating in clusters are more competitive than similar firms outside of clusters. Clusters generate more employment, higher economic growth, higher wages, better productivity, higher levels of innovation, more entrepreneurship, more start-ups, and attract more investment than firms that

are more isolated. In a world that is about innovation and global competitiveness, policies that are targeted at individual firms are no longer the most viable way to achieve economic growth. Over the past decade, cluster development has gained increasing attention as the most viable way of increasing regional competitiveness.

A cluster happens naturally, usually because of an initial advantage in production due to soil, climate, transportation, proximity to markets, etc. A cluster:

- Is a networked form of production. For example, rather than a couple of vertically integrated companies, there are a number of specialized firms with lots of outsourcing and contracting.
- Involves strong inter-firm collaboration. The businesses work together to solve common problems and exploit common opportunities (e.g. joint training, marketing, customer education, purchasing, etc).
- Is able to attract talent to the cluster companies
- Is able to assimilate new technology quickly
- Is able to attract wealth into a community – a cluster trades/exports out of the region
- Offers a supportive growth environment for new start-ups within the cluster (mentoring, taking a chance on giving new companies contracts, etc).

A fully developed cluster looks like this:



Examples of Community Futures Helping to Develop Clusters

The following cluster development projects show that Community Futures is not just providing loans and assistance to innovative entrepreneurial firms but is also working to assist with networks between firms and to grow the links between those firms and the “social infrastructure” that is there to assist the businesses: colleges, R&D firms, government programs, economic development agencies, and industry associations.

Peace Regional Computer Game Industry Development. Canada is one of the top 3 countries for computer gaming (following the US and Japan) and although Alberta is not a top computer gaming

province, there are at least 2 big companies in this sector: Edmonton's Bioware and Calgary's Autodesk Canada. Add to this list Hermitt Works in Grande Prairie. The Peace Region has been growing the computer game industry in the region through a number of activities. Grande Prairie has hosted Computer Game Development Expos for the past few years. CF Grande Prairie has not only provide loan funds for computer gaming companies but has also assisted with RCED funds to research best practices for the development of a database and industry flowchart. This has led to interest in expanding what the community learned from this project into a "Cultural Industries" project. The Peace Region Economic Development Alliance is looking to expand/update the www.launcheffect.com website and use as platform for cultural industries (not just computer gaming).

Central Alberta Regional Innovation Network and Central Alberta Rural Manufacturers Association. Community Futures Central Alberta, along with the REDA, Olds College, and a number of businesses and government agencies have invested in opportunities for manufacturers in the central Alberta region. In particular, working closely with Red Deer College and the IRAP program, the Central Alberta Regional Innovation Network worked with individual small manufacturers to improve processes and assist with innovation and prototype development. The Network also provided a program including a series of workshops on Lean Manufacturing and innovation. This was true cluster development.

Lamb Production. Central Alberta has a cluster of lamb producers working with CF Central Alberta, Olds College, the Alberta Lamb Producers Association, Sunterra Meats, and Sunterra retailers to provide a high quality consistent supply of lamb to a growing market in Alberta. One of the other goals of this cluster is to improve productivity among lamb producers by adopting and testing new software, electronic identification technology and handling systems in order to be a world leader in small flock production.

Health and Wellness Canmore has gone through several transitions in its history: it moved from a coal mining town to tourism and residential housing. Lately, the community has expanded this to brand itself as a Centre of Wellness. This includes linking the recreation and fitness aspect of the community to the high quality hospital in Canmore that was built for the Olympics, attracting traditional medical practitioners like doctors and dentists, as well as helping to build alternative medicine companies and supports like health food stores. CF Centre West has assisted through project grants (the Rural Community Economic Development program RCED and the Rural Diversification Initiative RDI), loans, and expertise. One example of a loan that the CF has done is the Mutt Hut Pet Emporium – a company that provides products for pets. Recently, the company has started to manufacture smoked bones and has entered an alliance with another company that provides gluten-free pet cookies.

Southeast Alberta Technology Network. This is a cluster development project in southeast Alberta centered in Medicine Hat that includes the Business First Incubator for start-up tech companies, a network of tech-related companies and support services, and links to Medicine Hat Community College to provide training in the tech area. CF Entre Corp not only became certified through the provincial technology voucher program so they could assist local businesses with funding for tech programs, but also provides project management expertise as well as loans to high tech businesses including those to Solutions Through Software, Shockware Wireless Inc., Accessible Accessories, and Lighthouse Broadcasting. This is an excellent example of integrating all of the CF services to successfully develop a targeted cluster.

Regional Capacity Building Strategy to Assist Inventor and Researcher Development. Grande Prairie Regional College and the Peace Region Economic Development Alliance recently merged their services to innovators into a single organization called the Centre for Research and Innovation. The Centre for Research and Innovation has created an "Innovation Ambassador's Network" as well as an interactive tool at www.innovationexpert.net that describes the steps needed to move an idea through product development and commercialization through to the market place. CRI is also looking at angel investor networks and is working with the Peace Region Manufacturing Association. Recently, CRI received \$3.7 million from Rural Alberta's Development Fund. CF Grande Prairie has been providing support and training and also provided some initial funding through RCED.

Canadian Badlands Tourism. With funding through an RDI with CF Big Country, the Canadian Badlands Inc has focussed on 3 sub-clusters: Rockin' Rodeos, Unique B&Bs and Inns, and Events. Cluster facilitators are in place to assist with networking, training, and other activities of interest to the businesses and organizations in these clusters.

Conclusion

Community Futures has a long history of making positive change happen in rural communities. With the increased focus on sectors in the economy that generate wealth, on entrepreneurial firms that want to grow, and on developing business clusters, Community Futures organizations in Alberta will help make a lasting impact in rural Alberta. There are huge opportunities to improve productivity and competitiveness in rural businesses and help develop and diversify rural economies and Community Futures is up to the task.