BC Government Healthcare Market Development Strategy: Executive Summary

Prepared For:

BC Ministry of Agriculture

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Submitted By:

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This Executive Summary has been modified for distribution purposes.

For more information about the British Columbia food products identified in this study, or potential suppliers, please contact James Street, Manager, Food Processing, British Columbia Ministry of Agriculture: James.street@gov.bc.ca.

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Executive Summary

Purpose of Study

The purpose of the study is to conduct market research to identify key opportunities and challenges to the supply of BC food and beverage products to BC healthcare facilities and to prepare a long-term market development strategy to increase the proportion of BC food and beverage products used by healthcare facilities across the province.

Method of Study

We compiled a list of the products currently sourced by BC healthcare facilities from outside BC that have the greatest potential to be made in BC. To determine the capability and interest of BC food processors in supplying BC healthcare facilities with these products, we worked with the BC Food Processors Association to develop a list of food processors that could potentially supply these products to healthcare facilities. We then contacted these BC food processors to determine their interest and capability in supplying the food and beverage products currently sourced from outside BC.

SWOT Analysis

Strengths

1. There appears to exist a general desire by most group purchasing organizations (GPOs) and food service management companies supplying food products to health authorities to achieve the aspirational target of 30% for BC food expenditures established by BC Ministry of Agriculture.

2. Some health authorities, GPOs and food service management companies have made significant attempts to use local sources of food.

3. BC has a large number of food processors that can supply many of the products currently sourced from outside BC for the healthcare market. We have identified 44 food processors in BC that have indicated an interest and capability in supplying a wide variety of products currently sourced from outside BC by local health authorities.

4. A key strength of BC food processors is that they have lower transportation costs than suppliers from outside BC which increases their price competitiveness as well as the ability to provide products quicker due to their proximity.

Weaknesses

1. Some food service management companies and group purchasing organizations that purchase food for BC health authorities indicated that they don't know which products are available locally and that it takes considerable effort for them to locate local suppliers.

2. Many BC food processors are not aware of or know how to access the marketing opportunities to supply the healthcare market in BC. Due to the complexity of the healthcare food distribution system, there exists a need to educate BC food processors about the BC healthcare food distribution channels, the most appropriate organizations within the food distribution network that they should contact, the volume of food required by healthcare facilities, and the specifications and requirements that they must meet to supply the healthcare market.

3. There does not exist aggregated market intelligence on the total volume of each type of food product used by all health authorities which makes it difficult for BC food processors to determine the size of the BC healthcare market. One of the limitations of the current study is that information on the volume of each type of product used by only the Interior Health Authority was made available. It was not possible to accurately extrapolate this information to determine total volume of each product used by all health authorities due to significant differences in delivery models (e.g. use of fresh ingredients versus frozen pre-cooked entrees) used by different health authorities.

4. In some instances, attempts by GPOs and food service management companies to use BC food processors have not been successful for a variety of reasons including lack of year-round supply, inability to meet minimum quality standards, and an inability to supply the product size and package type desired. In other instances, BC food processors indicated that there was not sufficient volume to justify developing a unique product for a healthcare supplier.

Opportunities

1. Based on a review of products purchased by the Interior Health Authority and feedback from the Local Food Working Group, GPOs and food service management companies as well as discussions with BC food processors, the top priority products/product categories that could be sourced from BC instead of outside the province include the following:

   - Chicken
   - Turkey
   - Beef
   - Frozen vegetables
   - Frozen berries
   - Frozen mashed potatoes
   - Muffins
   - Fresh salads
   - Frozen pre-cooked entrees
   - Cheese
   - Salmon
   - Apple sauce
   - Coffee
   - Sugar
   - Tea
   - Frozen soups
   - Ice cream
   - Yoghurt
   - Water
   - Rice
   - Honey

2. If all health authorities were to use the BC food processors that have expressed an interest and capability to supply products currently sourced from outside BC, the additional revenues that could be achieved by these BC food processors is estimated to range between $18 million and $22 million per year. These additional revenues would increase the market share of BC food

processors from the current level of 25% to 50%.

3. While the capacity does not currently exist, BC food processors have expressed an interest in producing some additional products such as yoghurt cups, ice cream cups, and juice cups in individual portion sizes if the BC healthcare market is large enough to warrant the purchase of the equipment required. To achieve sufficient volume, it may also be necessary to include other institutional sectors such as the post-secondary market and prisons.

4. Once BC food processors have successfully supplied health authorities in BC, there exists an opportunity for some larger BC food processors to compete for national contracts with GPOs and food service management companies. As an illustration, the largest chicken processors in BC also have plants in western Canada and Ontario which enables them to supply national contracts from their plants throughout Canada.

5. Some food service management companies indicated flexibility in modifying their menus to better reflect the food products that are available locally. Consequently, greater awareness of locally available products could motivate them to modify their menus to use BC products.

Threats

1. Some GPOs and food service management companies have established national contracts with food processors and are motivated to honor these national contracts to source their food products as they are likely to obtain the lowest price due to economies of scale. Consequently, they are less motivated to use local suppliers to obtain their food products.

2. Some GPOs and food service management companies indicated that trade agreements impose a constraint to increasing the proportion of BC food purchases because these trade agreements prevent them from giving higher priority to local companies.

3. While it does appear possible to significantly increase the market share of BC food processors beyond 30%, some GPOs and food service management companies indicated that this may result in an increase in food costs incurred by BC health authorities. However, there does not exist accurate information about whether food purchase costs incurred by the health authorities will increase significantly if more BC food is purchased.

Critical Success Factors and Performance Indicators

1. The critical success factors to increasing the proportion of food purchased from BC food processors for consumption in BC healthcare facilities are:

    a. Increase the degree of awareness of the capability of BC food processors among GPOs and food service management companies;
    b. Establish collaborative working relationships between BC food processors and the GPOs and food service management companies that supply the health authorities in BC; and
    c. The assistance provided by the BC Ministry of Agriculture to establish collaborative working relationships between BC food processors and the GPOs and food service management companies.

2. The key performance indicators that should be used to assess the performance of the healthcare market development strategy are the percentage of food purchased locally by the GPOs and food service companies that serve each health authority in BC.