

City helps food industry grow

Let innovators share space, tap into expertise

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Every three months or so, 50 to 60 people who believe they have the next big food product, show up at a seminar aptly titled *How to Start a Food Business* given by Michael Wolfson, food and beverage sector specialist, City of Toronto Economic Development.

Of those people, several will walk away with their idea destined to remain just that, and some will submit the outline of a business plan to a selection committee at the Toronto Food Business Incubator. Ten to 15 of those will be good, solid plans, of which five will be accepted into the incubator.

Business incubators are growing in popularity across North America. And Toronto, in particular, is a hub for many. The business case is strong: Statistically, 80% of firms that go through an incubator program are still around three to four years after startup. That compares with 25% of startups that go it alone.

Still, the notion of a business incubator focused on food-processing companies is novel. "We borrowed a more general model and made it relevant to the food industry," says Albert Peres, manager of the Toronto Food Business Incubator, or TFBI, launched

in November, 2007. "There is no model for this. We are developing it as we go." The goal is to help startup and medium-sized food manufacturers get to the next level.

"There are huge capital costs to getting started in mass producing food products," Mr. Peres says. "The Incubator allows innovators to share

space and tap into industry expertise. While other sectors struggle, food manufacturing is growing, but no one knows much about it. Retailers are always looking for the next big thing."

Mr. Wolfson, the driving force behind the TFBI, calls it the poor cousin to the struggling automotive industry. "Food processing is a major industry. It is the second-largest manufacturing sector in [Ontario], while other manufacturing industries are declining, the food-processing industry between 2007 and 2008 in the census metropolitan area grew 14% in employment. The market is strong. There is opportunity here. We just need to be more proactive in our programming to stimulate the sector."

Located in a renovated 2,000 sq. ft. facility in North York, which once housed a Jamaican restaurant, the nonprofit is funded in part by the City of Toronto Economic Development Corporation, and run by an active volunteer board of directors made up of food processors, retailers, R&D companies and food service operations. "People who have run successful businesses in the sector and want to give back to the next generation," Mr. Wolfson says. "This is a good news story."

Jonathan McDonough, chef and the creator of pomegranate balsamic vinegar, a fruit-infused vinegar developed at the TFBI, and among the first graduates of the incubator, certainly thinks so. After building a career as an executive chef in Toronto before becoming a personal chef, Mr. McDonough is now making the move into food production while keeping his day job.

"I was going into people's homes and cooking meals from scratch. That gave me the chance to do R&D in people's kitchens," he says. "I can tell so much by opening a person's fridge door: whether they are single, a family, into organic, how often they cook, their culture."

It was his customers who urged him to bottle his salad dressings and sell them. The Ontario Ministry of Agriculture pointed him to the TFBI.

"The TFBI is different than getting equity investment, renting a space

and doing the R&D, which is how most people think you have to start," Mr. McDonough says. "But this is a big expense and you are not even sure what you have will sell. The TFBI takes some of the risk out because by the time you leave, you should know whether there is a market for your product or not."

The first three months costs \$1,000, and includes access to an insured kitchen to test and scale up the product, and help with the business plan, mentoring opportunities and access to the TFBI's table at the St. Lawrence Market to sell directly to consumers. Another three months costs \$1,800, and the focus is on promotion, packaging and deciding whether the product will sell. Companies can stay for another two years, but fees ramp up at each stage.

"The Incubator gets you to the point where you can test it in the marketplace and get your product into a few stores. The great thing about the TFBI is you can develop your technology right along with your marketing plan," Mr. Mc-Donough says. "But then you have to launch from that to building a business."

Mr. McDonough did just that after just six months at the Incubator. His product is in 50 stores in the greater Toronto area and he is in discussions with distributors to launch it in grocery stores across Canada and the United States. I was able to start a gourmet food business and keep my day job as a chef."

Getting To Market

Pusateri's, a specialty food shop in Toronto frequented by foodies, is a natural stop for Toronto Food Business Incubator companies ready for market. John Mastroianni, Pusateri's general manager, offers this advice to would-be producers:

Health rules the day "People are always looking at the label now. I see that in our stores."

Taste is tantamount "Introduce your product with a demonstration."

Labelling is critical "People don't have time to stop and look at everything on a shelf. It has to catch their eye."

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