



The North West Company is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean.

Press Release - National Release

Changes in the north means cheaper food

Arctic Bay, Nunavut - March 31, 2011 (TSX:NWF) – The cost of a basket of healthy food bought at most North West Company stores, that are eligible for the Nutrition North Canada subsidies, will drop a minimum 5 percent making it the most significant decrease in food costs in northern Canada in recent history, The North West Company (NWC) announced today. The total annual cost savings to northern consumers is projected to be about \$6 Million in the first year for eligible communities. Some consumers will see prices on some NNC items drop as much as 20 percent at their Northern and NorthMart stores.

For example:

- an Iceberg Lettuce will go down from \$7.09 each to \$5.25 each or 26 percent (Aklavik, Northwest Territories);
- a 10lb Red Potatoes will go down from \$22.29 to \$18.49 or 17 percent (Wasagamack, Manitoba);
- a 4-litre Lactania 2% jug of milk will go down from \$15.99 to \$14.49 or 9 percent (Arctic Bay, Nunavut);
- a Best Value 570g loaf of Whole Wheat bread will go from \$3.95 to \$3.69 or 7 percent (Cambridge Bay, Nunavut);
- and a 3lb Red Delicious bag of apples will go down from \$11.89 to \$11.29 or 5 percent (Iqaluit, Nunavut)

“Shoppers can expect these and many other changes this week”, Michael McMullen, Executive Vice-President Northern Canada Retail division of The North West Company, announced in Arctic Bay today.

“Shoppers coming to our Nutrition North Canada (NNC) eligible stores this week are going to see a lot of change. They will see a change in their food costs, which are down considerably. They will see store signs that clearly say which item prices are different and by how much. This transparency shows the subsidy at work, something that many of our customers have requested. Most importantly, they will get change back at the cash register for the same healthy basket of food they bought last month,” said McMullen from the Northern store in Arctic Bay.

The North West Company launched its **“Making Healthy Choices More Affordable”** program in 65 of its Nutrition North eligible stores across Canada today. The program is created, in part, by changes in the federal government food subsidy program, Nutrition North Canada (NNC), and by greater efficiencies achieved by The North West Company, McMullen said.



“We work constantly to get more affordable food in the north. The changes we see today are possible because two important changes have occurred behind the scenes that benefit the consumer. The federal government has changed the food subsidy so that some communities see a greater subsidy. Secondly the retailers – like us, are now free to use a more direct, cost effective channel of distribution instead of having to use Canada Post as required by the government for decades. This means we will have less interruption and fewer delays in the transport of food, which means healthier fresh food. Once these changes came into place we were able to negotiate better freight rates with airlines and trucking firms because we have the advantage of bulk rates. Today those cost reductions have taken effect and are fully passed on to our customers,” McMullen says.

“As the media and the markets have stated, unfortunately we are in an inflationary period with significant increases in oil, fuel and food commodity costs in Canada and globally. Fuel rider surcharges imposed by air freight companies have started to kick in,” McMullen said adding that The North West Company advised the standing committee on Indian and Northern Affairs in December 2010, that the North is not immune to cost escalation and these realities will impact the North.

“Despite these market and economic realities we are able to deliver lower food costs in the North today. We will work hard in the future to offset, as much as possible, the cost pressures that we cannot control.”

The federal government announced the Nutrition North Canada program last year with a mandate to only subsidize nutritional food. However, in March, it decided to continue to subsidize all foods and implement the nutritional mandate in October 2012.

“We believe in the mandate of Nutrition North Canada to make healthy foods affordable and we have directed all of our freight savings and efficiency gains into Nutrition North healthy food items,” McMullen says.

“This is the first month of the new Nutrition North program and our own **“Making Healthy Choices More Affordable”** program and, we all still have lots to learn. We know, for example that there are some communities we serve that will not see enough change. That is because neither the federal subsidy nor the freight rates changed enough to equal a change at the cash register. We will keep working with the government, our customers and the leadership in northern communities to find solutions to issues like these as they arise,” McMullen said.

Company Profile

The North West Company is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean. North West operates 230 stores under the trading names Northern, NorthMart, Giant Tiger, AC Value Center and Cost-U-Less and has annualized sales of approximately CDN\$1.5 billion.

The North West Company is the largest local employer in Canada’s North, with over 3,100 employees and an annual payroll exceeding \$65 million. The North West Company is the largest private sector employer of Inuit and First Nations people in Canada. It has invested \$271 million in capital in the 134 northern communities across Canada in infrastructure, inventory and other assets. North West purchases \$34 million in goods and services in northern communities annually.

The common shares of The North West Company Inc. trade on the Toronto Stock Exchange under the symbol “NWF”.

To learn more please visit www.northwest.ca or www.nutritionnorthcanada.ca

For further information or to schedule an interview, please contact:

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Michael McMullen (right), Executive Vice-President of Northern Canada Retail , division of The North West Company tours Nunavut MLA Ron Elliott through the Arctic Bay NorthMart store to point out the drop in northern food prices brought about by the NWC's improved efficiencies and a new federal government food subsidy program. (Arctic Bay, Nunavut. March 31, 2011.)



FAQ

1. **How come the price of food is down in my community?**

We work constantly to get more affordable food in the north. The changes we see today are possible because two important things have happened behind the scenes that benefit the consumer. The federal government has changed the food subsidy and introduced its Nutrition North Canada program so that some communities see a greater subsidy. Secondly the retailers – like us – are now free to use a more direct cost effective channel of distribution instead of having to use Canada Post as the government required for decades. This means we will have less interruption and fewer delays in the transport of food, which means healthier fresh food. Once these changes came into place we were able to negotiate better freight rates with airlines and trucking firms because we have the advantage of bulk rates. Today we pass those lower costs on to our customers.

2. **Will the cost of food go down in every retailer's store in the north?**

We can't speak for other stores but at Northern and North Mart we have worked hard to bring the food costs down on average by a much higher percentage than what the subsidy is offering. That's because we are now free to use a more direct cost effective channel of distribution instead of having to use Canada Post. We don't know if prices at our competitors' stores will go down; or if they will go down as much as the Northern and North Mart stores; or if they will go down on as many items as we have lowered.

3. **Will the price of an item be different from community to community?**

Yes, but that's no different than before. Each community has different NNC freight subsidy rates each community has different freight cargo rates based on the distance the product travels. The cost of a product depends on several things in each community and each retailer has different challenges and opportunities to shipping and storing products, which affects the final price.

4. **Did the price of food come down in every community?**

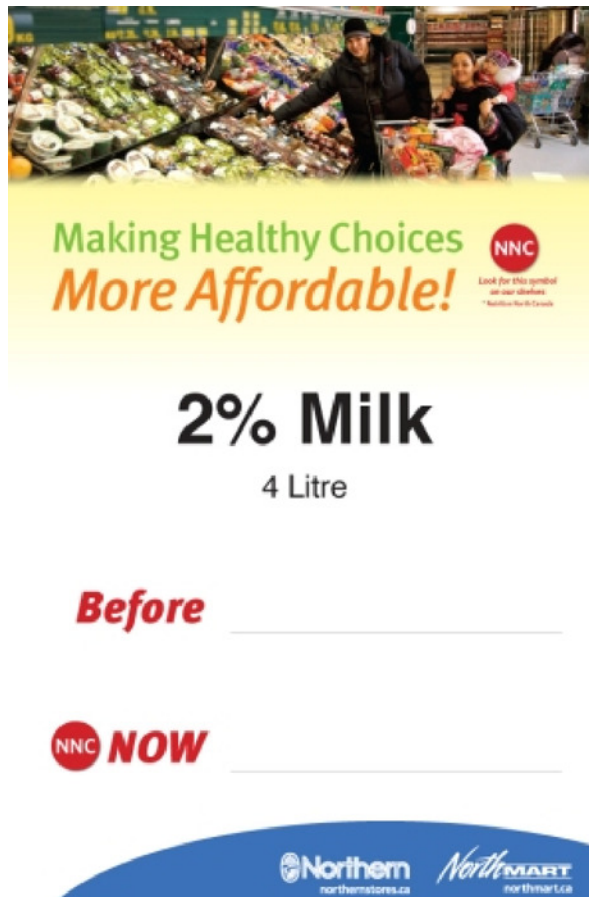
There are a couple of communities we serve that will not see as much change as others but wherever the NN program is in effect we have reduced prices by at least 5 percent. Again in many communities most of this reduction is due to cost reductions in our business because the federal subsidy alone was not enough in every community to make a real difference to prices at the cash register. We will keep working with the government, our customers and the leadership in northern communities to find solutions to issues like these as they arise. This is the first month of the new NNC program and our own **"Making Healthy Choices More Affordable"** program and we all still have lots to learn.

5. **I heard about these changes coming but I was expecting the cost of food to go down even more than it has. Why didn't it?**

Under the former Canada Post Food Mail system customers were already getting the savings of a subsidy, you just didn't see it on the labels in the stores. The old Food Mail subsidy was hidden inside the cost but many people just didn't realize it. So this subsidy is not totally new, but the way the subsidy is being delivered and shown is new. Our consumers wanted more transparency and that is what we are striving to provide. These changes have helped reduce prices even more.

6. **How can I be sure that the store in my northern community is passing on the subsidy to me?**

The federal government requires all stores in the Nutrition North Canada program to pass the subsidy on to the customers. All northern retailers – like Northern and North Mart – are required to give the government a monthly report showing the prices in the stores. It will also conduct continual audits on northern retailers to ensure everyone is complying with the rules. At all Northern and North Mart stores you will see the subsidy on your cash register receipt. On top of the Nutrition North program we have committed to passing through all freight savings to our customers. We believe this the right thing for ensuring more affordable local shopping choices while also supporting the local economy as a local community-based retailer. We will also post savings on products on the shelves with signs like this:



**Making Healthy Choices
More Affordable!**

Look for this symbol on new shelves
* Nutrition North Canada

2% Milk
4 Litre

Before _____

NNC NOW _____

Northern northernstores.ca **North MART** northmart.ca

6. If I order an eligible item from the south do I still get the subsidy?

Retailers have to apply to be a Nutrition North supplier. A customer using an NNC approved supplier can order an eligible item through the retailer. Then the supplier would apply the subsidy to the product at the point of sale. The product must be shipped by air. Customers do not have to make a claim, the retailer handles the paperwork.

7. Will the rates or the prices on eligible items ever change?

Yes, they will. Several things affect the cost of food no matter where you live. As the cost of commodities – like wheat – goes up, so does the cost of foods created with wheat. As the price of oil and gas go up because of politics around the world so does the cost of shipping food. Prices will rise and fall as fuel charges change. These changes are no different for shoppers in the north or the south. The Nutrition North subsidized products are not immune to these fluctuations in the market.

As well the federal government has promised to continue to review its NNC program. We know it has said it will change the program in October 2012 when it is expected more emphasis will be placed on subsidizing nutritional foods.

We will keep working with the government, our customers and the leadership in northern communities to find solutions to issues as they arise.

8. What is driving the lower prices in Northern and North Mart?

The North West Company has negotiated lower rates from freight partners and food vendors. These negotiations have offset recent increases in food commodity pricing and fuel surcharges related to higher oil prices. The net effect is lower prices for consumers on April 1st.

9. Where can I find out more information?

To learn more please speak with your store manager or visit www.northwest.ca or www.nutritionnorthcanada.ca

Attached is a sample of a poster advertising prices before and after

Making Healthy Choices More Affordable!



Look for this symbol
on our shelves
Northern Health Canada

Milk and Alternatives		Vegetables and Fruit	
	Before	NOW 	
4 litre 2% Milk			3 lb Macintosh Apples
1 litre Chocolate Milk			4 pack Tomatoes
650 g Yogurt			5 lb bag Potatoes
Kraft 200 g Marble Cheese			1 kg Frozen Peas
Kraft 24 x Processed Cheese Singles			Frozen Concentrated Orange Juice

Meat and Alternatives		Grain Products	
	Before	NOW 	
454 g Best Value Lean Ground Beef			Best Value Whole Wheat Bread
510 g Best Value Chicken Drumsticks			Best Value White Bread
750 g 2 pack Pork Loin Chops			Best Value 12 Hamburger or hotdog buns
1 Dozen Eggs			