

Food for thought

Think of the world with your commodity in mind and where it will be ten years from now. Consider different scenarios ranging from a conservative outcome to one radically affected by change. Will the demand for your product be higher or lower? Where will prices be? Will you be better off investing further in what you're doing today or diversifying your sources of income? It's your call. Even if you don't have all the answers, can you afford not to imagine what the future holds?

Combining imports with domestic products is a recipe for success

Canada successfully exports two types of processed foods – those made with ingredients raised or grown domestically and those made with a mixture of domestic and imported ingredients. Perhaps there's room for imagination and innovation. A vibrant value-added sector can increase domestic demand for ingredients, even if some ingredients need to be imported.

Think about chocolate. Canada does not grow cocoa plants, yet we are one of the world's largest exporters of processed chocolate, to the tune of \$725 million in 2004 (Fig. 6). That figure is similar to the value of all specialty crop and pulse exports combined. Cocoa does not displace Canadian-produced products and it creates a complementary demand for ingredients like sugar, butter and milk.

Will Canada think beyond its bulk export history and continue to grow its research and development know-how, its brand and its manufacturing sector to target more lucrative markets? The sky's the limit for areas where we could establish ourselves as experts. It's an indirect way of increasing demand and diversifying markets.

Imports: biscuits, wheat, pastas, crackers

Although we're an exporting nation, Canadians consume a significant amount of domestic product. To meet the demand for a wide range of food and beverages, billions of dollars of products are also imported into Canada (Fig. 8).

We are a major producer and exporter of flour and cereal grains, yet ironically we import over \$1.6 billion⁶ worth of biscuits, crackers, pasta, breakfast cereals and flour each year. There may be opportunities for more domestic processing and innovation in these products. In fact, there's vast untapped opportunity for product innovation in the cereal grains sector.

Nutritionists support the health benefits of whole grains. They're the good carbohydrates packed with nutrients and are a key ingredient for successful, sustainable weight loss. Yet, there's very little product innovation for whole grains as side dishes, entrées or mixed into frozen or RTE meals. The majority of grains consumed by Canada and the U.S. are refined and bleached white flours, crackers and cookies, pastries and highly processed, sugary cereals. There's been incredible innovation in other food and beverage lines. What are we waiting for?



⁶ Statistics Canada, Trade Data Online, Source: AAFC Agri-food trade service. 2000-2007 Export statistics http://atn-riae.agr.ca/stats/AllCountries_product_x_e.pdf

Figure 8: Top 10 individual product imports and exports for 2006 by product

Import to Canada	Value	Export from Canada	Value
Grapes for wine	1.2B	Wheat and meslin	2.7B
Food preps (final consumer ready product)	898M	Canola seed for sowing	1.62B
Biscuits and crackers	540M	Live cattle	1.04B
Malt beer	474M	Boneless beef	1.04B
Pet food	429M	Durum	895M
Coffee	369M	Fresh pork	873M
Fresh grapes	364M	Frozen pork	861M
Boneless beef	310M	Frozen fries	818M
Tomatoes	259M	Food preps	730M
Corn, chocolate, sugar close for tenth place	300M	Biscuits, crackers, whiskey close for tenth place	500M

Source: AAFC Agri-food trade service. 2000-2007 Export statistics, all funds in Canadian dollars
http://atn-riae.agr.ca/stats/AllCountries_product_x_e.pdf

The Canadian advantage

Canada's natural resources, large agriculture land base and the application of technology to crop production offers significant competitive advantages. Our strategic location with easy access to U.S., Mexican and South American markets to the south and the Asia-Pacific region from our west coast ports will be important assets in the future. It is unlikely these, alone, will be enough to further advance our export position.

Food for thought

To be successful in the bulk arena, producers need outstanding efficiencies, technology, breakthrough yields and large-scale operations or a market niche that distinguishes the business. What is your advantage and how can you exploit it further? What new opportunities can you explore? Where do you want to play in the agri-food value chain?

Advances in information technology will continue to impact trade and the success of Canadian producers. Personal computing, the internet, cell phones and technology-enabled networks are increasingly important to connect buyers and sellers. In Dalian, China, people are learning English, forming industry clusters, ramping up internet knowledge and platforms and creating online business networks. In other words, they are behaving more and more like other open-market economies. Although developing countries are making inroads, Canada's well-established technologies and logistics work to our advantage.

The Canadian brand and the power of our collective identity are highly regarded. We have a positive image and strong reputation in the global business community. We export high-quality products. These advantages will position Canadian exporters to carve out niche markets that meet end-consumer needs. Continued promotion of the Canadian brand is important to our success abroad. Low-cost producers from other countries will not be able to mimic this strategy.

What are exporters saying?

Here's what we learned through our network of exporters across Canada in a variety of sectors:

- Canada has a positive reputation in the global marketplace and we need to be aggressive in promoting Canadian brands.
- Canada is recognized for the quality of its products. We are a people who react positively, act in good faith and care about the quality of products we export. We are favoured in the eyes of the world and that is a competitive advantage.
- Products like maple syrup, blueberries and lobster are recognized worldwide. Other industries like Saskatoon berries are in their infancy, however, the potential for tremendous gain is there.
- Our work with agricultural machinery is seen as innovative and high-quality. On average, members of the Agricultural Manufacturers of Canada export some 45 per cent of their products, a significant increase from 27 per cent four short years ago.

Some questions exporters are considering include:

- Will the Canadian brand survive the competition when South American exporters can supply wheat of a similar quality for 15 per cent less?
- Can we do better by being more aggressive in our quest to establish Canadian brands in the global marketplace?
- What are the next steps?

Food for thought

Every commodity marketing group across all agriculture sectors has opportunities to tap the potential of the Canadian brand. A good reputation has been established. By using imaginative marketing and innovative product offerings, you can tap into the potential. If you are not directly promoting your product, you probably have an industry council or marketing organization that is. Are they being diligent about promoting the value of brand Canada?

From commodities to competencies

Some producers around the world are defining their product in new ways. They've diversified revenue sources and taken advantage of multiple trends to mitigate risks. Some have tried exporting directly. Some have added to their current production by setting up operations in other countries and others have moved from local production on their own land to selling their knowledge and expertise abroad. In our growing global knowledge economy, things will be valued differently. New critical success factors such as high-tech agronomic knowledge, business skills, networks and superior transportation plans will grow in value.



Final thoughts

Is it possible to create a knowledge economy in agriculture? How can producers go virtual or contribute beyond the tangible assets of land, labour and capital?

- Where does it make the most sense to produce high-quality, affordable food?
- Is Canada competitive in all the factors required to make the products?
- What advantages do new, lower-cost exporters have over Canada?

- What can Canada exploit that others don't have access to?
- Does it make sense for Canada, or any country, to attempt self-reliance in food production and processing?
- Do we have a choice?
- What is the best allocation of resources?

Much of the media coverage about globalization is negative, gravitating toward sensational stories showcasing anti-globalization activists and confrontation. Like any other phenomenon, globalization presents challenges and opportunities for participation. Agriculture is no exception.

