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Ottawa Tries to Pry Markets Open

A recent Canadian trade mission to Colombia, Mexico, the United States and Guatemala, was led by Federal Agriculture Minister Gerry Ritz and included representatives from the Canadian cattle industry. The mission sought greater access for Canadian exports. Last year Canada successfully reopened the Columbian market to Canadian beef from animals of all ages. Canada and Columbia have also worked on an agreement to reopen the Columbian market to Canadian breeding stock and genetics, a market that is expected to be worth about C$1 million to Canadian exporters. While the agreement has not yet been approved by the Canadian Parliament, implementation would lift an existing eighty percent Columbian tariff on Canadian beef. Elimination of this tariff would give Canada's beef industry access to a growing South American market, potentially increasing Canada's beef exports to Columbia above the demand levels set prior to the BSE ban. Columbia is also an important market for Canadian wheat, durum, barley and pulse crops, importing nearly C$200 million in grain crops from Canada last year. During the mission, Canada also worked with Mexico to reopen the market for over 30-month beef. While in Mexico, Ritz announced that Canada would spend C$5 million on Canada Brand promotional activities, emphasizing Canada's safe and quality food. The effort is not limited to beef, it will be extended to other commodities such as canola. Canada sold Mexico C$1.6 billion worth of agricultural products in 2008. Ritz also pressed Guatemalan officials to open their borders for full access for pork, beef and other agricultural products. Guatemala bought C$32 million worth of agricultural products from Canada in 2008. These actions, along with Canada's aggressive efforts to reach a trade agreement with the EU, signal significant efforts by Canada to substantially grow trade relationships with other partners. These initiatives are consistent with recommendations from a recent Deloitte study encouraging Canadian entities to seek other export opportunities. (See Deloitte Study…., below).

Canadian Canola Marketing Effort Gets a Boost

The Canadian government is boosting its support for its canola industry, hoping to address export market issues that threaten expansion plans. The C$7.8 million investment from Ottawa will help the Canola Council of Canada develop a long-term marketing strategy and assist in the creation of a rapid-response plan to deal with short term risks to export markets. The federal initiative comes as the country's canola industry deals with China's recent imposition of more stringent import protocols. As part of the funding deal with the federal government the canola council will have to put up a further C$1.2 million and meet all eligibility requirements posted by the federal government. Some of the federal money will also be set aside to highlight best industry practices which will help farmers better meet the specific market requirements of importing countries. The canola industry in Canada has ambitious expansion plans and has set a goal of achieving 15 million tons of production by 2015. The industry, which is largely dependent on international markets, is counting on a strong export market free of trade hiccups to make its 2015 production plan work out. Canola presently contributes about C$14 billion to the Canadian economy, but the canola council expects to see that contribution climb to the C$20 billion mark over the next few years.

Canadian Beans' Export Success Story

Canadian soybeans have been an export success story over the last five years with volumes more than doubling. In the 2008/2009 marketing year, Canada sold nearly two million tons of soybeans into a variety of export markets. Big buyers last year included Japan, the United States, and China. During the 2008-2009 period, China bought more than 236,000 tons, up dramatically from the 9,948 tons they bought in 2007/2008. Sales to Malaysia increased to over 148,000 tons, up from just over 98,000 tons the year before. According to the Canadian Soybean Council, the stellar increase in soybean exports is a combination of a number of factors. Canadian growers have been adept at sourcing new markets in Japan and cultivating the necessary relationships that forge strong trade ties. Between 30 and 35 percent of Ontario's production is identity preserved (IP) beans and demand for those beans is also growing in places like the Middle East and Africa where buyers want more food grade plant protein. While the European market has grown in recent years, exports were lower last year because the European demand is mostly for non-GMO beans.

Niche U.S. Markets are Buying More Branded Canadian Beef

The Canadian Beef Information Centre (BIC) has announced that advertising, promotion and marketing efforts are paying off as family-owned supermarket chains in the United States are beginning to feature Canadian beef. These chains, which own between three to ten stores each, are particularly interested in Canadian beef because it gives them a unique product they can promote in competition with the larger chains. BIC also credits Cargill with developing strong brand identity and demand in the Northeastern U.S. markets, through retention of the Better Beef name which retailers are using to promote Canadian beef and the use of the new logo that BIC introduced last year for Canadian beef. However, there have been some irritations among several provincial marketing campaigns, claiming provincial designation of the beef when the slaughtered animals may have been brought in from other provinces. One success story has been the Ontario corn-fed beef program, because it can be clearly tied to farm and feed standards. Although Loblaw (largest supermarket retail chain in Canada) dropped out last year, the Ontario Cattle Feeders Association is in negotiations with several other big retailers.

Canadian Food Safety Initiatives

The Canadian Federal and Provincial governments recently announced the new Food Safety Systems Implementation (FSSI) program which will provide up to C$2.4 million to help farmers develop and implement individual plans to achieve their safety certification. The program, funded through the federal/provincial Growing Forward agricultural policy framework, is also expected to promote food safety awareness and deliver educational programs to farmers. It will reimburse ninety percent of eligible costs up to $3,000 per farm for approved projects. This announcement comes a little more than a month after the release of the findings from a Deloitte study which highlighted the importance of Canada’s improving its food safety regime in order to succeed in the future. (See Deloitte Study…, below). Specifically, with regard to food safety, the Deloitte study found that concerns about food safety are still high among consumers. The report revealed that 83 percent of consumers can name a product that was recalled due to safety concerns in the last two years; 76 percent of consumers report they are more concerned today than they were five years ago about the food they eat; 57 percent of consumers have stopped eating a particular product because it was permanently or temporarily recalled. In Canada, food safety concerns are widespread among food processors, with 50 percent of Canadian survey respondents taking concrete measures towards improving food safety in 2008 by either working towards a recognized safety certification and/or process improvement.

Deloitte Study Finds Canadian Food and Beverage Processors Close Gap with United States

The consulting firm, Deloitte, recently completed an in-depth benchmarking analysis of the North American food and beverage processing industry. The results revealed that Canadian processors have closed the long-standing operating margin gap with their U.S. counterparts. According to the report, as a result of challenging economic conditions over the last year, both Canadian and American processors experienced a decline in overall profitability. The top performers in the United States are large companies that enjoy significantly higher levels of profitability than the industry average. In Canada, the top performers tend to be much smaller than their U.S. counterparts and have less debt than their Canadian peers. When looking at sales growth rates, the Canadian companies that are growing the fastest are larger than the Canadian industry average, whereas in the United States the fastest-growing companies are smaller than the U.S. peer group. The study contends that if Canadian processors are going to be successful in the future, they will need to be aligned with new market realities, including consumer insights, brand management, product development and innovation. The Deloitte study identified three key success factors to help Canadian food and beverage processors remain competitive. These factors are: aggressively managing costs, take safety seriously, and look for growth opportunities abroad. The report states that although the United States is still the largest foreign market for Canadian processors, with an economy hit hard by the current economic downturn and rising calls for greater protection from foreign competition, the United States may not continue to be the reliable market it has previously been for Canadian food and beverage companies. Organizations that pursue growth beyond U.S. borders may well end up in a better competitive position than those that do not.

Canadian Conference Board Report Card Gives Canada a “D” for Innovation

In a report issued last week from the Conference Board of Canada, it gets a “D” in innovation. The same report ranked Canada fourteenth among seventeen industrialized nations for its ability to turn knowledge into money-making products and services. Only Australia, Italy and Norway fell below Canada. Switzerland, Ireland and the United States topped the list. Gilles Rheaume, vice-president of public policy, noted that, "Canada is well-supplied with educational institutions and carries out scientific research that is well-respected around the world. But with a few exceptions, Canada does not successfully commercialize its scientific and technological discoveries into world-leading products and services." Of the 12 indicators used to compile these rankings, Canada was given a “D” in nine categories, two “C”s and one “B”. While it received a high mark for the number of scientific articles published relative to the population, Canada ranked poorly in the area of international trademarks per capita, finishing ahead only of Japan. It was last in the technology-exchange category, which measures the flow of technological know-how and technological services into and out of a country as a share of GDP.

Canada was noted for having much of its economy based on the trade of commodities, with little value added before export. The report said countries scoring higher than Canada in innovation spend more on science and technology, and also have public policies that drive innovation supply and demand. It noted the most innovative countries tend to be leaders in one or more areas. It cited Switzerland's dominant position in the development of pharmaceuticals, Ireland's leadership in making technology a bigger part of its economy, and the United States for having top science and engineering facilities along with large capital markets. The biofuels sector was cited as an industry in which Canada could take a leadership role, due to its relative success story with respect to the interplay between innovation and regulation and leading-edge research and technology demonstration.

Dairy Farmers Defend Supply Management

At the annual meeting of Dairy Farmers of Canada (DFC), held last week in Ottawa, several officials lauded the supply control system's performance during the recent financial meltdown, claiming that other countries have taken note. The Association sent representatives to France and Geneva to explain Canada's supply managed system. Richard Doyle, the executive director of DFC and president of the International Dairy Federation, said, "No other system has maintained its share of the consumer dollar as consistently as Canada." Doyle argued that because of competition and volatility, the export market is not a viable source of income. Furthermore, Doyle noted that dairy farmers in Australia, the United Kingdom, and Switzerland learned hard lessons from deregulation. He urged Canadian dairy farmers to do more at the national level to maintain control of the production process and the market, from milk quality and carbon footprinting, to animal welfare and traceability. Otherwise, Doyle contends, practices that aren't harmonized will be targeted by the Agreement on Internal Trade. During the week, the Government of Canada announced plans to spend C$10 million to fund dairy research and a national genetic database to support the dairy industry. The program is designed to create a cluster of scientific and technical expertise to study the health benefits of dairy products and ways to improve animal productivity through health and breeding. Moreover, funding will be available for the food safety system (CQM) and the development of a national database to track on-farm audits and manage the validation and registration process. The Government of Canada funding is subject to the projects meeting all eligibility requirements and the signing of contribution agreements. According to Agriculture Canada, the funding will "create a cluster of scientific and technical expertise to study the health benefits of dairy products and ways to improve animal productivity through health and breeding."

Exchange Rate: Noon rate, February 11, 2010 (Bank of Canada): U.S. Dollar = C$1.05.