

### **Recasting our Global Image: Extolling Prairie Virtues**

We are among the largest grain producers in the world (8<sup>th</sup>) and rank even higher in grain-exports (5<sup>th</sup>). We export close to half of what we produce; in this respect we rank 3<sup>rd</sup> among major producers, only behind Ukraine and Australia, both exporting two-thirds of what they produce. While it is a blessing that we have this resource that feeds us and generates export earnings, our grain-economy remains highly dependent on bulk-exports, with not enough high-value crops in our export-mix.

We have been taking comfort in the quality of what we produce and the yields we realize. Crop-yields have been rising steadily in recent years as a result of advances in agronomy and technology, allowing us to increase our export volumes. But we are not alone in this regard; others have been achieving the same, especially emerging economies with much lower cost-bases. This puts pressure on our bulk-exports that is likely to get worse in the coming years, yet we seem to be in denial of this threat.

To our credit, we have not been as complacent as our neighbour to the south, the US, world's largest producer and exporter. Although it is less dependent on exports, only quarter of what it produces (less than half our ratio), it is in a much worse spot – with 3 crops (corn, soybean and wheat) making up 90% of its exports, and having to compete with Brazil, Argentina and other low-cost producers. Though far more export-dependent, we at least have managed to diversify our exports much further.

Following a persistent market-liberalization strategy, we deregulated and privatized our grain-export channels, and in the process added canola to our exports, now half our wheat-exports. Also, we added soybean to the mix with higher-value grades than the US and Brazil that are tied to China with two-thirds of their combined soybean-exports -- more than our total grain output. We also discovered our potential in growing pulses, still small in export-volume but much higher in value.

However, we are still stuck with two major problems. First, far too large a share of our exports are in bulk, as much as 85% from the West Coast, and we struggle to diversify to higher-value crops, as they need to be shipped to final destinations in containers with crop-integrity intact. Second, the way we privatized our grain-industry assets left them in the hands of a few companies, now controlling the bulk-systems that producers are highly captive to, leaving them with narrow margins.

There is a way out of this low-value bulk-trap but it is going to take more than just relying on market-forces to guide us down that path. There is no need for direct government action in this regard, as producer can drive the process by shifting to higher-value crops, specific grades or new varieties. But while portals like ours can facilitate the formation of direct-sales and container-logistics channels, there is still need for support from public agencies to recast our grain-image on the world-stage.

### *Our mandate revisited*

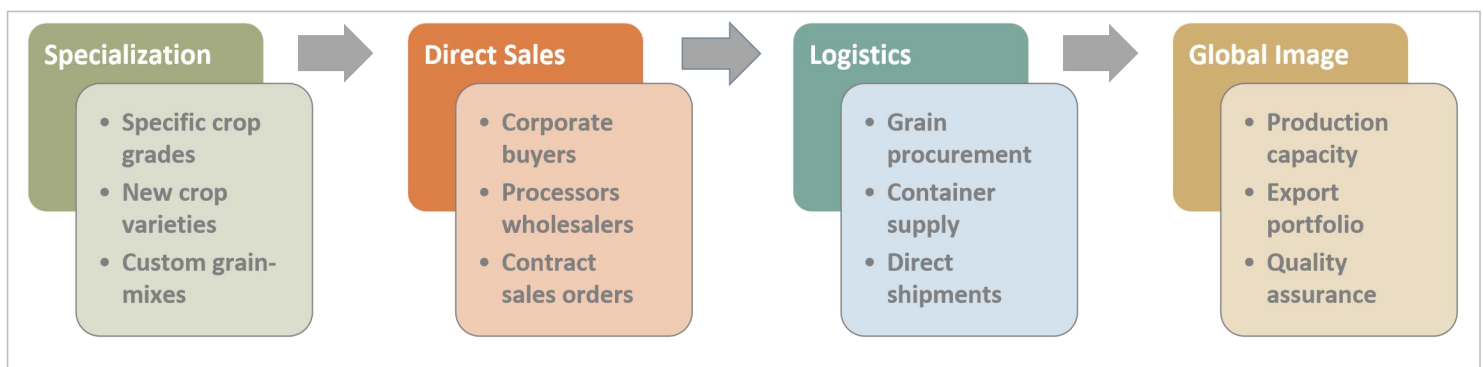
Our mandate is to facilitate diversification to specialty crop varieties or grades that fetch higher-value in global markets and leave behind higher-margins to producers. We see this as a means of survival for our grain-economy; bulk-exports are under pressure from emerging regions that are improving yields from a lower cost-base. Whether producers feel these pressures or not, we believe they would be motivated to make the shift to increase their margins, what we coin as their *path-to-prosperity*.

The type of high-value specialty crops we are encouraging producers to shift to are generally sold in smaller quantities to direct-buyers with specific needs (mainly processors) that are willing to pay a premium for crops with special attributes. This is common practice across North America, but not in overseas export-trades, mainly because supply-lines are mostly geared to bulk-trades. The first prong of our mission is to facilitate the development of these *direct-sales channels* to export markets.

The type of crops sold through direct channels are not only traded in small quantities but must also retain their attributes (like IP-grains). They must be containerized and delivered to final destinations without having to be re-handled, but containers are in short-supply. Huge volumes of containers return empty from the West Coast, but little effort is made to pull them further inland. The second prong of our mission is to develop the *container-logistics capacity* to fulfill point-to-point grain deliveries.

Our mission is often misconstrued as an effort to eradicate bulk-exports, thus a ploy to undermine the interests of existing grain-companies. We have no such agenda; if we could containerize just the growth increment from yield-increases, in time reaching 15-20 MT/yr, producers will be much better off. As a result, the industry will become much more competitive with a multitude of players (including existing ones) serving specialty crop trades, leaving behind higher-margins for producers.

We are confident in our ability to achieve the *paradigm-shift* we are contemplating, shifting our export-base to higher-value crops, but there is a remaining obstacle that we need collective action to overcome. Prairies are known for bulk-exports, not the specialty-trades we are trying to facilitate. We must recast our global image as the premier source of all types of crops that can be delivered to importers' doorsteps.



**Advanced agronomy and technology**

We tend to take it for granted but after decades of consolidation and modernization Prairie farm-landscapes have been completely transformed. The impressive display of technological capacity is for the whole world to see: latest farm-equipment with guidance, monitoring and spreading devices that make precision-farming a reality. We also see drones monitoring crop conditions, as well as management-systems and big-data for activity-planning purposes, from seeding to growth to harvesting.

The farm-economy has gone through massive deregulation and privatization, but generations-old traditions have not only survived but strengthened with a renewed sense of entrepreneurship. By keeping corporate-farming at bay, the best of family-farming traditions were upheld in adapting to a market-driven environment. We saw this at play in the shift to canola, and later pulses; we now expect our farmers to enthusiastically embrace the next wave of specialization driven by direct-sales.

There is also another factor to bear in mind, the region’s scientific capacity that has been highly instrumental in driving this advancement in agriculture. Our universities and research-institutions are at the frontiers of agronomy, especially crop-genomics, with a keen interest in field-applications. Our producers have greatly benefited from this scientific knowledge, be it on seed varieties, soil conditions, fertilizer usage, or farming methods -- critical elements in propelling value-driven specialization forward.

Quite content with the outcome, yield-increases, we take all these advancements for granted. When prospective importers look into the profile of the Prairie region, all they see are export-volume and value-add charts, as evidence of how well we are doing. There is little that importers can take away from the advanced state of our farms or the scientific capacity behind our grain-economy, let alone our ability to grow all the specific crop-varieties they need and are prepared to pay a premium for.

To promote our grain-exports, particularly the high-value specialty crops that we need to turn to for the sake of our producers, we have to re-brand our global image, emphasizing our advanced production-capacity and diverse crop-base. Importers have little interest in seeing grain-terminals or bulk-ships; they need to see images of advanced-farms, science-and-technology in action growing highly specialized crops.

**FARM PROFILES**

 <p><b>Agronomy</b> Biotechnology Soil-Sciences Agroecology</p>	 <p><b>Machinery</b> Cultivators Tractor-Loader Harvestors</p>	<p><b>Technology</b> Positioning Spreading Sensing</p>	 <p><b>Storage</b> Materials Crop-Bins Loading</p>
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***Crop variety and export capacity***

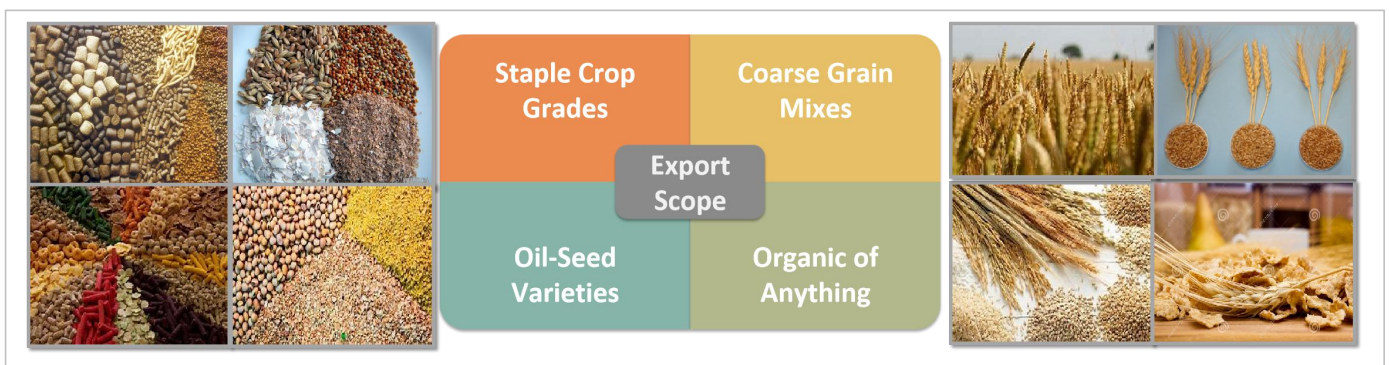
As we noted, for a highly bulk-oriented grain exporter, we have achieved a certain degree of crop diversification, at least more than the US. Our earlier shift to canola is evidence of this, but by becoming its largest producer and exporter, our leading traders must fear that they are too exposed, thus contemplating huge increases in crushing capacity, targeting bio-fuels as an alternate use. It is puzzling that we are looking for alternative uses instead of alternative crops (even grades of the same).

Growth in canola did not come at the expense of but in addition to wheat; while our wheat exports remained stagnant, the world was still hungry for more. We missed out on durum prospects in Europe, while failing to sell any durum to China, an even larger market than Italy. Flour-millers all around the world are looking for wheat-grades to mix with standard-stocks to produce flours with specific attributes, but we do not seem to have any interest in turning our attention to new wheat varieties.

At the root of these and many more missed opportunities is the bulk-trap we have been in, with the vested interest of our grain-companies tied to bulk-systems that they are so heavily invested in. Our mission is to break open this bulk-cage through direct-sales channels to export grains in containers. However, there are challenges ahead, to recast our global image from a bulk-exporter to a source of specialized crops with the capacity to fulfill custom orders to be delivered in container-lots.

Together with grain handling and containerization capacities, we must demonstrate our capacity to grow almost any type of grain that importers wish to buy directly through producer-channels. We already noted the burden that befalls government agencies in recasting our global image by displaying our scientific and technology capacities, already in action in our highly advanced farms. We must append to this new image our capacity to grow-to-order a vast array of crop grades or varieties.

We are known for the quality of our two staples, wheat and barley, but not for all the grades we can produce of both to meet the specific requirements of flour-mills, brewers or distillers. We also have the capacity to grow and prepare custom-mixes of most coarse-grains and/or oil-seeds needed along feed or food chains, and ship in scheduled container-lots to specific processing plants in quantities buyers need.





***Institutional and regulatory framework***

In recasting our image on the world stage, we have to extol our *production-capacity* and *crop-diversity*, but there is one other crucial element, *quality-assurance*. The quality of our bulk-exports, sold through credible channels, is already established. Now that we are trying to shift the emphasis to highly specialized grades and varieties of crops through new channels, we have to convey to the world that we have the systems in place to ensure buyers that they are getting what they order.

In this regard we do not have to worry about developing or even strengthening our systems; they have long been in place and in effect with full compliance on the part of all players involved along the grain-chain, from farms to handlers to processors to exporters. Through the liberalization era we might have stopped talking about the government’s role, but the Canadian Grain Commission and a multitude of other agencies are alive and well, and engaged in all aspects of grain production and trade.

The entire production process, from seeding to harvesting to storage, are subject to regulations; inspectors may not reside on farms but farmers have long internalized rules, standards, and practices, and are often inspected to ensure full compliance. Regulations extend to grain-handlers, with every piece of equipment subject to health-and-safety rules. There are government-certified labs involved in testing and issuing reports, as well as a variety of channels engaged in inspecting export-loads.

Our grain classification systems have long been in place, and served as templates for most parts of the world. The original emphasis was on wheat and barley (board-grains) but with the shift to other crops they have been expanded with even more detail with crop-attributes -- our soybean standards truly stand out in differentiating our grades. Most importantly, our identity-preservation rules and procedures are truly outstanding, and of course are of crucial importance in containerized trades.

Going back to our core topic here, recasting our image on the world-stage, quality-assurance has to be the third pillar of our global promotional efforts, together with production-capacity and crop-variety. However, there is only so much we can do as just one portal-initiative; we need much more support and involvement from public-agencies and producer-associations to accomplish the intended paradigm-shift.

