

The Prairie Grain Portal

**Featured Article Collection III
(XXI - XXX)**

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**Collection of Short Articles on Prairie Grain Economy
Volume III**

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PREAMBLE

As we had pledged at the end of our last compendium of articles, we continued posting on a weekly basis; here we have compiled Volume III, consisting of our latest 10 articles. We are very pleased to see our following increase, now up to more than 6,000 site-visits, totaling almost 500 hours of engagement, not counting articles downloaded and read at your leisure. Also, we are delighted with the interest our Facebook-page has generated, with endorsements and lively debates. Obviously, our mission has struck a chord in the Prairie agricultural community, and so we are pressing ahead with our mandate to facilitate new export channels.

As you may recall, in closing Volume II we had outlined our priorities for 2022-Q2:

Producer-engagement: Our *Farm-Profile Program* was slow to get started, but now we have more than a dozen interested subscribers. We have been refraining from bugging producers through the seeding-season (unfortunately slow and protracted this year) but it looks like we will have 15-20 profiles online by August. Our *Virtual Townhall Meetings* were not a great success, but you will hear from us about field visits during the summer months. Also, as we will get to at the end of this Volume, we are now launching our *Trade Forum* to kick-start actual trading initiatives.

Recasting our global image: Probably more than anything else, this has been our focus in the last few months. In addition to *farm-profiles* that will feed directly into this initiative, much of the work in the last quarter has been to lay the foundations for *regional-profiles* that will extoll the virtues of Prairie agriculture. Moreover, we have now finalized the conceptual design of our new platform, *Virtual Grain Mall*, a promotional window into the Prairies, together with a *Trade-Facilitation* layer, and we are very hopeful of our funding initiatives to make this platform-project a reality.

Need for market research: This is an integral part of our trade-facilitation mission – not only in understanding the competitive threats our current bulk-exports face, but also in targeting new markets for direct-export channels. But there seems little interest in engaging in market research, not even from grain-commissions or producer-associations. We have done what we could with our internal resources in the last few months, to at least understand the implications of the current turmoil global grain markets are in, which we will come back to at the end of this Volume.

Now let's come back to the contents of this Volume. Our efforts in the last three months followed two tracks: platform design-and-development from one end, and bringing visibility into the nature of direct-sales from the other. In posting weekly articles, we tried to mix and match themes from both ends to keep our followers interested and engaged in the progress we are making in pursuing our trade-mission.

Platform design and development

Our last volume had opened with an article outlining *A Framework to Recast our Global Image*. The Prairies have long been a major grain-exporter on the world stage, known for the quality of their staple-crops, initially wheat and in time also canola. But the world knew us primarily as a source of bulk-exports, and had little visibility into our grain-economy, which is arguably among the most advanced, with a huge variety of quality crops that can be procured directly from primary-producers.

To promote direct-sales, sourced from farms and delivered to final-destinations in containers, with crop-integrity intact and as necessary identity-preserved, we need to recast our global-image. We had developed a 5-prong framework to promote this new image: advanced-farms, agronomy-capacity, crop-variety, quality-assurance, and logistics-services. In this volume, you will find two more articles on this theme:

- *An action-plan for achieving our paradigm-shift* (Article #24)
- *Our path from an information-portal to a trade-platform* (Article #25)

The center-piece of our trade-platform will be a *Virtual Grain Mall*, a promotional window into our grain-economy that prospective importers from all around the world can visit to see all our virtues online. Instead of going on trade-expeditions, buyers can go online to see our primary grain-sources displayed as *virtual-stores*, and our regional attributes through *virtual-pavilions*. Built on this platform will also be a *trade-facilitation* layer for buyers and sellers to meet and pursue sales-contracts.

We had started the conceptual design of this platform late last year and in the last 3 months made huge progress in laying down its technical foundations. These details, be it in handling the data-volume (from 1000s of farm-profiles and their updates) or incorporating audio-visual display tools into the platform (for virtual pavilions or special thematic shows), were by no means trivial, but we now know the arsenal we need to incorporate into the platform to achieve the “showcase” we have in mind.

However, we did not think much of these technical platform-design features would be of interest to our followers. Instead, we focused our articles on the content we wanted to include in our promotional-window, the *Virtual Grain Mall*. To this end, we defined the “ecosystem” that supports our grain-economy, arguably one of the most advanced in the world. We posted 4 articles on the ecosystem and its three principal spheres – 3 published in this volume and one more to come in the next:

- *An overview of the grain economy ecosystem* (Article #21)
- *Deepening our engagement in the production-sphere* (Article #22)
- *Reaching out to the supply-technology sphere* (Article #26)
- *Functional importance of export-logistics sphere* (Upcoming in June 2022)

Virtues of direct-sales

At the core our mission lies a shift away from bulk-trades to direct-sales, a call for a *paradigm-shift* as we commonly refer to. But rather than an abandonment of bulk-trades, this was always meant to be a call for a partial shift to direct-sales that will bring more market discipline to all grain-trade channels thereby increasing producer-margins and leading to more crop-diversification. We naturally touch on this topic in all our articles, but into 2022-Q2 we realized the matter required more attention.

In Article #23, *Making grain-markets work for producers*, we looked back on how freeing up certain crops from the monopsony of the Canadian Wheat Board (CWB) had led to the formation of direct-sales channels, basically corporate grain purchases directly from production sources, farms. This had happened not just in our domestic trades but also transborder ones to the US, bringing more market discipline on all these trades, even those that went through consolidation channels in the hands of intermediaries. We were calling basically for the same in overseas grain-trades.

While we thought the matter was settled, Article #23 led to even more controversy, not over our mission, but the CWB. We turned to the topic with two more articles – *Reflecting on CWB and looking ahead* (Article #27), *Breaking loose from bulk-trades in the post-CWB era* (Article #28). There were many lessons to draw from the unwinding and the eventual abolishment of the CWB-model, how direct-sales had taken root first in non-board grains and later also board-grains, wheat and barley.

We returned to the topic once again, this time why they had not taken root in overseas exports – *Mystery of overseas-direct sales* (Article #30). It was natural for our overseas exports to be captive to bulk-trades under CWB, main custodian of bulk-systems together with wheat-pools. However, what was natural for wheat-barley was not so for canola, always a non-board grain. In short, what happened now was an oligopsony of private grain companies replaced a public-monopsony, perpetuating the captivity of most our overseas grain exports to the bulk-system.

In trying to unravel this mystery, we tackle the myth of bulk-trades being the most efficient way of exporting to overseas markets. We also tackle the other side of the myth that overseas markets are too risky to export to through direct-sales channels. But we are aware that these myths will persist with all the disinformation being propagated by vested-interests – much more to come on this topic in future articles.

In the interim, we also wrote an article on the trade opportunities that Russia's invasion of Ukraine presents, mainly through bulk-trades but also with prospects of direct-sales – *Responding to the turmoil in global grain markets* (Article #29). Even before our trade-facilitation-platform was ready, we structured a program to respond to these opportunities – more to come on this at the end of this volume.

XXI. An Overview of the Grain Economy Ecosystem

In closing our compendium of articles from 2022-Q1, we outlined our priorities for the upcoming quarter – deepening producer engagement, recasting the Prairie image in global markets, and expanding end-market research efforts. The articles we will post in the next three months will be related, directly or indirectly, to one or more of these themes, which are all in pursuit of our core trade-facilitation mission.

Here we introduce an “ecosystem” concept to depict our grain-economy, a phrase used in a variety of contexts to describe production-systems or industry-clusters. Without getting hung up on semantics, we find it to be a useful concept in capturing the essence of our grain-economy – how it is structured and how it functions. At the core of this ecosystem are production-units, aka farming-enterprises, but these units do not function in a vacuum: they rely on the myriad of associations, agencies, institutions, and enterprises that we try to layer in our ecosystem depiction.

Our core mission is trade-facilitation: to open new export-markets for producers whereby they can diversify to higher-value crops with higher margins. In essence, this is a *paradigm-shift* away from bulk-trades to direct-sales fulfilled through containerized shipments with crop-integrity intact. In this regard, however, we face a formidable challenge: the world knows us as a source of bulk-exports but has little awareness of our capacity to produce a huge variety of high-quality crops that can be purchased directly from primary production sources, our highly advanced farms.

Before we can even venture into our trade-facilitation mission in earnest, we must recast our global image. To this end, we developed a 6-part framework to promote the virtues of our grain-economy in overseas markets: advanced-farms, research-capacity, crop-variety, quality-assurance, sustainability, and container-logistics. At the core of this new global-image we are trying to recast is our production capacity, portrayed through farm-profiles – hundreds of them we will develop and showcase on our portal to convey the sophistication and diversity of our farm-economy.

The region’s family-farming traditions played a huge role in advancing the state of the grain-economy, which producers had the wisdom to perpetuate for generations. But they were not solo-actors in this success story, they had the entire grain-ecosystem to draw on. As in the past, this ecosystem is going to play a crucial role in achieving the *paradigm-shift* we are calling for. Thus, we must convey the virtues of every piece of our grain-ecosystem in recasting our image in global markets.

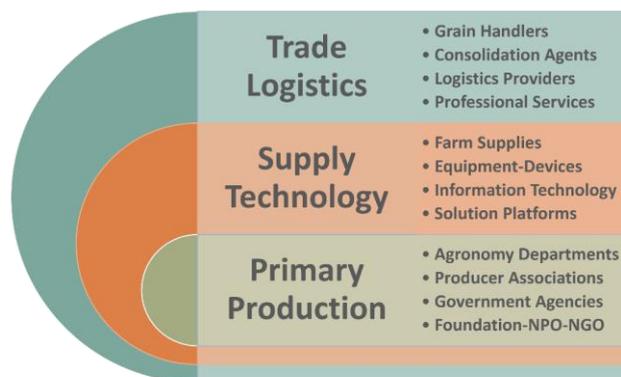
The same way as we rely on producer-engagement in charting our course, and depend on them in preparing farm-profiles, we must also reach out to all the other constituents of the grain-ecosystem. We need their support and participation to be able to leverage their virtues in recasting our image on the global stage. To this end,

we try to compartmentalize these constituencies into what we call PGP-chapters. Here we start with three main chapters – primary-production, supply-technology, and trade-logistics. In time we will breakdown these domains into sub-chapters with initiatives to reach out to all the constituents of the grain-ecosystem – we will be posting many more articles on these initiatives in the coming months.

The first of our chapters is *primary production*, which we break down into four groups of constituents. Our scientific-capacity comes from the region’s agronomy departments, at the leading-edge of this frontier worldwide, with applied research into seed varieties, soil conditions, and farming methods. Producers take pride in their independence but draw on, and benefit from, the collective voice and efforts of their trade-associations. Both federal and provincial governments are involved in supporting agriculture in various capacities. There are also NPOs and NGOs that lend support to the sector through their advocacy for food-security and sustainability.

The second chapter we hope to establish is *supply-technology*, again in four main sections. Of vital importance is farm-supplies, including seeds, fertilizers, nutrients, pesticides, fuel, and other essential inputs into farming operations; the Prairie region is blessed with not only all the raw materials but also well-developed distribution systems. As important as inputs in crop-variety and quality-differentiation, are technology elements in farming, which we group into two: equipment-devices and information-technology. We also separate out an emerging technology domain, integrated solution providers, as well as platforms with multiple solution offerings.

The third chapter is of vital importance to our mission, *trade-logistics*. Unlike in bulk-trades where producer-responsibilities end at farm-gates or nearby terminals, direct-sales require further service arrangements down the supply-chain. Unless they have their own cleaning, grading, and container-loading capacity, producers will need grain-handling services. Most contracts will require consolidation, through third-parties or cooperation among producers. Containerized exports will require logistics companies to provide the necessary intermodal arrangements. Also, direct-sales are likely to involve licensed exporters, as well as finance, insurance, and legal support.



Primary Production Chapter

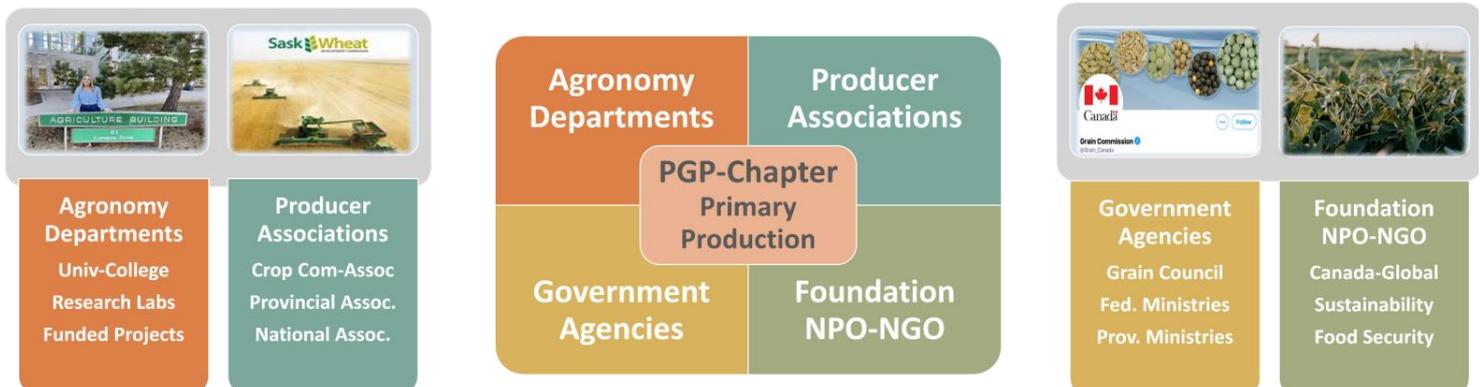
Farming-enterprises are the primary producers and our core constituency. We extol their virtues through *farm-profiles* and cast them as the primary sources of grains importers can buy from. But farms do not operate alone in the primary-production sphere, they draw on the support of many other elements of the grain-ecosystem. We recognize the crucial importance of these elements and their contributions, and, in recasting our global image, give them as much credence as individual farms.

Agronomy Departments: The region’s agricultural research capacity is unmatched, with programs and labs at the service of not only producers but also buyers. With top-notch resources, the research community is not only renowned academically but also engaged in hands-on applied research. They have been driving advances in all aspects of farming, from yield-increases to crop-diversification – initially the shift from wheat to canola, and later turning the region into a prime source of pulses.

Advances in seed-strains, and their adaptation to local soil conditions, contributed greatly to yield and quality improvements, and will continue to drive diversification to specialty-crops, be it higher-grade staples or new varieties. Also, agronomists are actively involved in field-operations, providing guidance to farmers with respect to crop-choices most suitable to varying soil conditions across the region, as well as best-practices in seeding, fertilizer-chemical applications, and harvesting-methods.

Producer Associations: Deregulation and privatization efforts changed the face of our grain-economy from a single-desk-monopoly to one driven by market forces, but it did not leave producers alone to fend for themselves. Many crop development commissions emerged, basically producer led associations funded by surcharges on crop sales, to represent and serve the collective interests of producers of those crops through production-research, market-development, and other advocacy functions.

Every major crop grouping across the Prairies – wheat and canola, as well as others like pulses, barley, and flax – has its provincial commission, all led by producer representatives. Also, there are umbrella organizations like Agricultural Producers Association of Saskatchewan, not a creature of crop-commissions but an offshoot of Saskatchewan Association of Rural Municipalities. Alberta and Manitoba each has its Association of Agricultural Societies, as well as other producer advocacy groups.



Government Agencies: After decades of privatization and deregulation, we may think this sector is driven solely by market-forces, free from all forms of government intervention. But grains are part of the food-chain and are strictly regulated. To ensure crop quality and integrity, we have elaborate crop grading-classification systems in place, as well as testing-inspection procedures, not to mention identity-preservation regulations of crucial importance in containerized grain exports.

We have the *Canadian Grain Commission* with broad ranging oversight, inspection, licensing, and reporting responsibilities. Moreover, there is *Agriculture and Agri-Food Canada*, a ministry with a broad policy and regulatory mandate over agriculture across the entire production, processing, and marketing spectrum. Also, there is *Prairie Economic Development Canada*, responsible for the regional diversification fund, among other things, aimed at supporting agriculture. At the same time, each province has its own agriculture, trade, and economic-development ministries.

Foundations/NPOs/NGOs: In an era when climate-change poses existential threats to our existence, there are numerous foundations, non-profit or non-governmental organizations focused on protecting the environment and upholding sustainability in agriculture. Perhaps this awakening is relatively new, but food-security has been a big concern for much longer, healthy-diets in rich countries and subsistence in poor – both closely tied to agriculture and getting a lot of attention from NPOs or NGOs.

As a high-cost region, we may not look like the best place to feed the world, but our crop-yields are higher than most low-cost producers, and we grow grains without irrigation. We may be pushing the grain-economy towards higher-value crops, but we will still be producing more protein from every acre of land we cultivate. Most significantly, by some accounts Prairie agriculture has become a carbon-sink rather than a source of carbon-emissions. All this speak to our sustainability record, which is getting a lot of attention from NPOs, among them Canada West Foundation.

Our goal: Here we tried to identify the support-environment surrounding our primary production sources from four different angles. Our goal is to leverage each one as a PGP-chapter, to gain support for and participation in our core mission:

- Research Capacity: In extolling the virtues of our grain-ecosystem, we hope to rely on our cutting-edge research capacity in agronomy through a series of *case-studies* to promote our advanced seed-breeds and farming-practices.
- Producer Associations: We will lean on all producer-associations to help us prepare *crop-profiles*, the full range of grades and varieties grown across the Prairies while soliciting support and funding for our market-research efforts.
- Government Agencies: There is a burden that falls on governments to recast our global image to facilitate new export channels to overseas markets, with emphasis on the strength of our regulations in the *quality-assurance* domain.
- NPOs-NGOs: There is considerable interest on the part of these organizations in our grain sector's *sustainability-record*; we will draw on their work to promote our grain-exports when the world is facing such a dire climate-crisis.

Supply and Technology Chapter

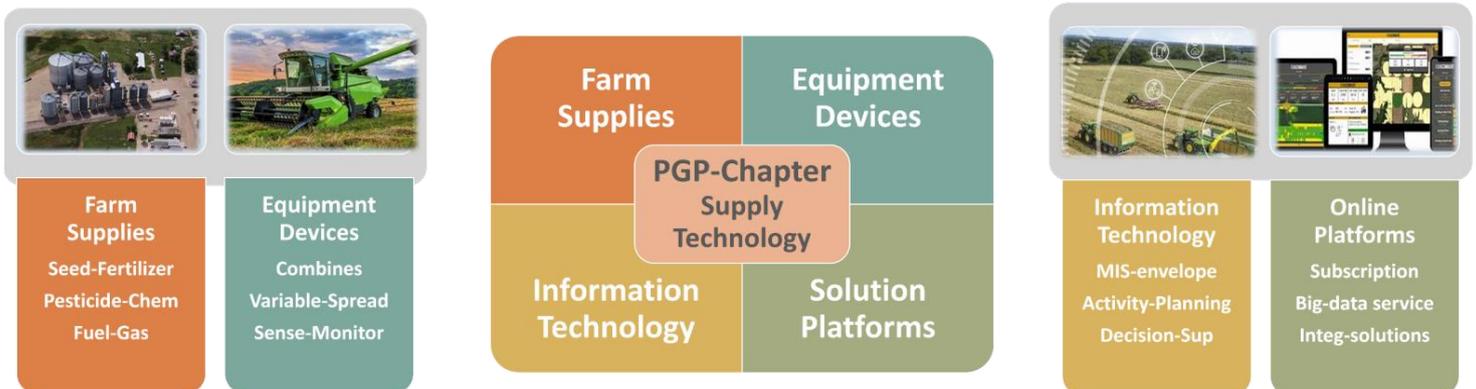
All agricultural regions around the world recognize the imperative of technological advancement, and those who can afford them have access to the latest technologies from wherever they happen to be farming. Our region may not have a deep well of new technologies we can call our own, but we enjoy huge advantages in technology adaptation and application by drawing on our deep knowledge of applied-agronomy. Also, we sit on the best sources of farm-inputs, especially minerals used in fertilizers.

Farm Supplies: The Prairie region has the world’s largest and richest mineral-base for fertilizers, home to Nutrien that came into being by the merger of PotashCorp and Agrium. Through its distribution network, Prairie farmers have access to the full spectrum of fertilizers (potash, nitrogen, phosphate, or sulfur) as well as nutrients, chemicals, and pesticides. Combined with the seed-supply, driven by advanced agronomy, no other region in the world is as rich as the Prairies in farm-inputs.

The region’s producers are also served by various coops, the largest among them Federated Coop provides anything a farm would need – nutrients, pesticides, seeds, supplies, and fuels, latter including propane and oil that it produces or refines. Now the company is entering the bio-fuel domain with a large canola-crushing plant for this purpose. In essence, the region is served through multiple channels, with a huge variety of premium farm-supplies delivered to their doorsteps at competitive prices.

Equipment-Devices: The grain economy has undergone a massive technology-transformation, now with latest farm-equipment in action using GPS for position-tracking and automated-guidance. Most machines have variable-rate-spreading devices to apply the desired amounts of inputs in the field – seeds, fertilizers, and pesticides. Most also have monitors to detect moisture-levels and soil-conditions, augmented by drones as they become more affordable, or are shared collectively.

The results of this transformation are evident from notable yield-increases and crop-quality improvements, but the process is by no means over; even more is expected to come with advanced sensing and spreading devices with AI-driven functionality and drone-usage paving the way for precision-farming. All these advances do not just increase yields but also help improve crop quality, and ability to grow specific grades with desired attributes – aiding our specialization-drive to high-value crops.



Info-Tech: Farm operators have wireless access to field-data and actively use that data for integrated activity-planning purposes, and in real-time for decision-support – seeding to fertilizing to growth to harvesting. With so much data and need for precision-applications, increasingly more sophisticated farm-management-systems are being used, with the added benefits of tracking and managing farm-inputs and crop-yields. The MIS-envelope is being pushed further by big-data availability, especially on weather-conditions, which in turn facilitates more effective seeding and harvesting practices, as well as yield forecasts for sales-and-marketing purposes.

All these new technology applications pave the way to achieving higher quality crops with desired attributes. Also, the ability to control and monitor growth conditions allow farmers to predict crop conditions, a huge benefit in fulfilling sales-orders to buyer-specifications. Easy to use and reliable testing-and-sampling technologies are allowing producers to report crop-conditions to buyers prior to shipping, comforting them that they are getting what they ordered or were promised. New technologies are literally turning farming into a grow-to-order business, perhaps not quite to manufacturing-standards, but still a far-cry from what buyers get from bulk-stocks.

Solution Platforms: A new trend in the industry, not unique to but quite prevalent in farming, is the emergence of online-platforms that store field-data, and combined with data from other sources, offer online solutions on a subscription basis – not just farm-management but also sales-management. The former offers affordable solutions for many producers but the latter borders on online-sales, not very effective in this domain as scope for one-click-sales are limited for export-trades.

Another trend is for large vendors acquiring (or investing in) a variety of solution platforms to develop large customer bases, to be able to sell a wider range of other offerings – for example TELUS Agriculture, with an interest in the target-base for mobile service offerings of its own. There are also consolidation initiatives through traditional M&A strategies, a trend likely to continue as the market is fragmented with vendors offering their own farm-grown application suits to a broader audience.

Our goal: In creating a PGP-chapter of suppliers, manufacturers, technology developers, and solution-providers, our goal is to promote our grain-economy in an advanced light in overseas export markets. To that end, we have a 3-prong agenda:

- Technology profiles: We see great virtues in extolling the advanced state of our farm-economy through *technology-profiles* to augment our farm-profiles, sponsored by equipment-vendors, solution-providers, or third-parties.
- Sponsored pages: As we offer to producers, our portal will have dedicated sections/pages for equipment or device manufacturers, as well as solution or application providers, to promote themselves in domestic or export markets.
- Event sponsorship: We hold townhalls (virtual and in-person), webinars, and other events that can be sponsored by our chapter-members, following our usual venues or with content prepared or commissioned by the sponsors.

Trade and Logistics Chapter

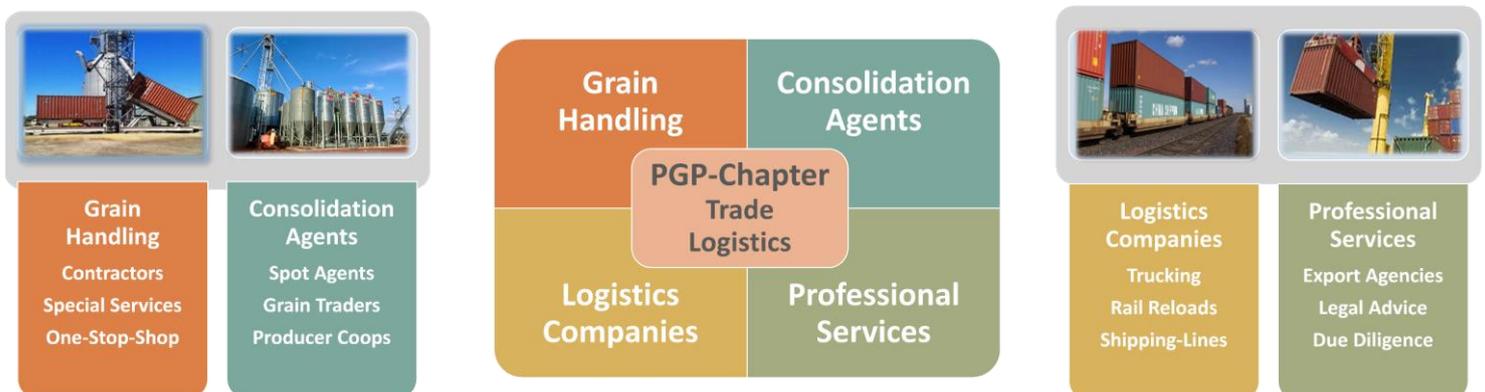
There is little need for trade or logistics agents in bulk-trades, since the custodians of those trades, grain-companies, internalize those functions. Through direct-sales channels, however, these types of services gain prominence, justifying the case for a PGP-chapter in this domain. If the costs of these services concern you, do not worry as they will be embedded in the prices buyers pay – like transport and storage costs, at origin and destination, you do not even see but are built into bulk-system costs.

Grain Handling: In rare cases direct-sales can be executed from farm-gates to final-destinations through logistics service providers, with minimal service requirements in sampling and testing of grains stored in your own farm-bins. But in most cases, grain-handlers will be involved in cleaning, grading, storage, bagging, loading, etc. – one stop service-arrangements, or through multiple service-providers that your logistics agent will coordinate before shipping to designated final destinations.

In today’s grain scene across the Prairies, this is not a very visible service segment, but it exists – in the open market or at the premises of grain-companies that are into containerized exports, like in the pulse-sector. In trying to cultivate more direct-sales, we are paying utmost attention to these service-needs by encouraging our logistics-partner to provide them as part of their rail-reload operations or supporting the emergence of new grain-handling companies with integrated service offerings.

Consolidators: As our trade facilitation efforts start bearing fruit, most contract sales will be too large to be fulfilled by any one producer. Even large farms, 20,000 acres plus, will not have enough volume to fulfill large orders, or would be reluctant to commit a large part of their output to any one buyer or contract. As we discussed in one of our previous articles, consolidation will become standard practice to fulfill most contract orders, at least those that are large enough to sustain steady flows.

Initially, opportunistic consolidation-agents will emerge to claim the high margins they foresee in direct-sales. In time *bona fide* consolidators may surface, but by taking on contracting-functions these intermediaries will be able to claim the lion’s share of the margins. The model that would best serve producer-interests is project-based cooperation – not necessarily full-fledged coops but contract-partnerships – to fulfill orders collectively, to extract the highest margins possible from direct-sales.



Logistics Companies: The vision we have for the grain-economy contemplates millions of tons of containerized exports, not sporadic shipments of convenience as we have now, but organized flows of point-to-point deliveries to final destinations. Currently, we do not have too many logistics-companies handling containerized grain-exports. Over the last two decades huge strides were made in moving forest-products in containers across the Pacific to Asia – initially pulp and lumber, now even logs. In the coming years, we expect similar trends to take hold in grain-trades.

There are a lot of logistics chores involved at the origins of these trades, but the real challenge is pulling containers inland – or moving grains to where containers can be found, mostly near coastal-ports. As we discussed in a previous article, the logistics of pulling containers inland requires an understanding container-flows across the ocean and working with shipping-lines. Now we have a partner who understands these challenges and is willing to dedicate the necessary resources to it. In time, as volumes develop, many more logistics-companies will emerge to serve these trades.

Professional Services: While we extol the virtues of direct-sales, made under sales-contracts between producers and overseas-buyers, current regulations require these exports to go through CGC-licensed parties – the only way producers can get export-insurance. Until further changes are made, producers are captive to licensed grain-exporters. On the bright side, there are numerous licensed-parties to compete over these trades so that producers do not have to pay high commissions. In time large producers or producer-coops can get licenses, and thereby insurance-coverage.

Direct-sales contracts between producers and buyers will also require legal scrutiny by lawyers with expertise in international trade laws, trade-dispute resolutions, and arbitration-channels. This is another professional service line producers will require, at least if they want to protect their interests and get paid fully and regularly. In this vein, we also recommend proper due diligence into prospective buyers before entering contracts, yet another burden that comes with direct-sales channels. This can be done through legal channels or other qualified advisory service providers.

Our goal: Our plan is to create another PGP-chapter around this support-cluster – grain-handlers, consolidation-agents, logistics-companies, and other professional service providers. The main tools we intend to use in this regard are the following:

- Strategic-partners: Like we have in the logistics domain, we can establish strategic-partnerships with qualified service-providers, by giving them preferred-partner status and help them streamline their service offerings.
- Portal-promotion: Also, any agent or service-provider can promote their services through dedicated pages/sections to reach our core-members (or following at large) like we intend to do in the supply-technology domain.
- Advertising: Our following is now in the thousands, and still growing, perhaps not social-media scale but substantial for a cohesive audience many service-providers may want to leverage for advertising or promotional purposes.

XXII. Deepening our engagement in the production sphere

Our primary mission is to open new sales channels for producers to reach out to overseas markets, so that they can sell their crops directly to end-users, like they do across North America. We believe these new channels would help producers diversify to higher-value crops that yield higher-margins. This will also lessen our grain-sector's dependence on bulk-trades, which face increasing competition in world-markets that we fear will further squeeze producer-margins in the future.

Direct-sales channels not only benefit our producers but also overseas buyers – millers, processors, and other end-users. They can procure specific crop varieties or grades generally not available through bulk-channels, improving the quality of their own products. They can get those crops delivered to their door-steps in containers, with product integrity intact, and as necessary, identity-preserved. While getting the specific crops they need, they may even realize cost savings from direct-deliveries.

Direct-channels are widely utilized across North America, not just domestic but also in cross-border trades: either producers reaching out for direct-sales opportunities, or corporate buyers actively procuring from multiple production sources. But these channels are not commonly used, if at all, in overseas export-trades, hindering producers' ability to specialize and shift to higher-value crops, as well as buyers' ability to procure what they need. As to the reasons, we must reflect on history.

Our grain-export system was built on a single-desk model, at a time when grain transport was much more cost-effective in bulk. With the dissolution of that system, both Canadian Wheat Board and wheat-pool assets were privatized. These were highly capital-intensive acquisitions; new owners found themselves heavily invested in fixed-assets (inland and coastal terminals) with a vested interest, if not a necessity to continue to utilize them, perpetuating the bulk-dependence of our grain-exports.

At that juncture global transportation supply-chains were rapidly containerizing, enabled by advances in intermodal-systems and their declining costs. Many of us also saw the containerization potential in grain-trades. While these trades were containerizing across Europe, and in time Asia, not much attention was paid to facilitate the same in North America. While containers were returning empty to Asia across the Pacific, pulling them inland to the Prairies for grain-trades proved difficult.

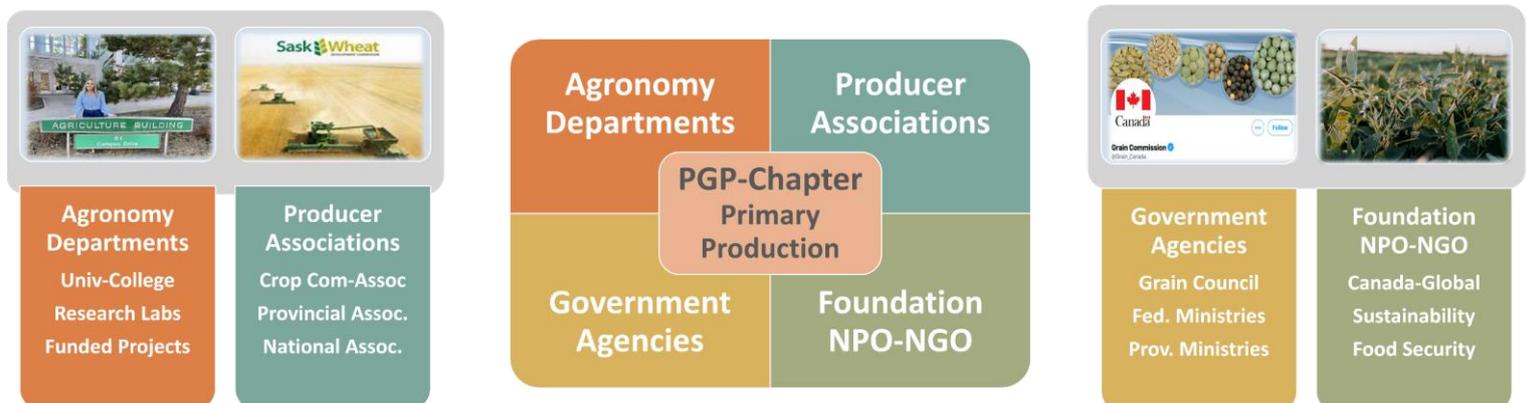
As we discussed in our earlier articles, this was not an insurmountable challenge, even back then, and now is even more feasible. There is enough empty capacity to increase containerized grain-exports by more than 10 MT now. The real challenge, however, is facilitating direct-sales channels to attract overseas buyers. To this end, our immediate priority is recasting our image in overseas markets: the world knows us for bulk-trades, not for our primary production sources, from which they can buy a huge variety of crops and get them shipped to their doorsteps in containers.

For this purpose, we developed a 6-prong framework to promote Prairie interests in overseas markets – to provide visibility into this highly advanced grain economy and thereby attract buyers to procure grains directly from production sources. Five of these promotional-prongs are aimed at extolling the virtues of the primary grain-production sector, at the core of which are *advanced-farms*, the focus of our *farm-profile* program. However, we must go beyond the virtues of individual-farms to other elements of the *grain-ecosystem* that support these primary production-units.

The “ecosystem” concept we introduced in our last article was to present a more holistic view of the grain economy, with a multitude of stakeholders we wanted to draw into our orbit to support our trade-facilitation mission. In this article, we focus on the primary-production chapter of that ecosystem to mobilize support from its constituents, four main stakeholder groups that we identified in our previous article:

- **Agronomy Departments:** Primary production units rely heavily on the region’s research-capacity, be it in increasing their yields, improving crop-quality, or diversifying crop-mix. We want to promote this capacity through a series of *case-studies* prepared in cooperation with leading agronomy-departments.
- **Producer Associations:** We are looking for support and participation from crop-commissions or producer-associations to prepare a series of *crop-profiles* (by type, grade, and variety) to demonstrate the region’s remarkably diverse crop-base – production and export volumes, historical trends, and future projections.
- **Government Agencies:** Even with all the market and trade liberalization, grains remain part of the food-chain and subject to regulations from seeding to growing to handling to export. We are hoping to work with all public agencies involved to convey the *quality-assurance* virtues of our grain-chain, production to export.
- **Foundations-NPOs:** As we face an imminent climate-crisis, sustainability is of great concern, with several NGOs paying close attention to the issue. To our credit, it appears that Prairie-agriculture has become a carbon-sink. We want to draw attention to this in extolling our grain-economy’s *sustainability-record*.

In this article we focus on these four elements, with the intention of returning to *farm-profiles* next to address the challenges we face in rolling out this program.



Agronomy Research Capacity

Farming-enterprises are the primary producers and our core constituency. We extol their virtues through *farm-profiles* and cast them as the primary source of grains importers can buy from. But farms do not operate alone in the primary-production sphere: they draw on the support of many other elements of the grain-ecosystem. As important as what happens in the fields is the support-systems behind the scenes; we give as much credence to these elements as farms in recasting our global image.

The general perception of farmers is as practitioners in the field, far removed from science-and-technology. They do uphold family-farming traditions, and tend to be cautious and conservative, but they closely follow advancements in science and technology. They keep a close eye on the latest seed-strains, fertilizer-varieties, new methods-and-practices, or other advances. Even if they hold back for a crop-year or two, they always come back to follow the successes of their neighbors.

In the US, the role of science-and-technology in agriculture was recognized by the *Founding Fathers*, gaining momentum in the first half of the 19th century, leading to the first agriculture-college in Michigan in 1855. Agricultural-and-mechanical (A&M) movement got a boost with the Morrill Land Grant Acts (1862 and 1890). Many prominent applied science-and-engineering faculties of today can trace their roots back to agricultural colleges, at least land-grants passed in the cause of A&Ms.

The roots of agriculture in our region's universities go back to their early years, late 19th century in Manitoba and early 20th century in Saskatchewan and Alberta. In fact, University of Saskatchewan started as an agricultural college, but even in the other two, agriculture was among the founding or early colleges. In time, agronomy – loosely defined as science-and-technology of agriculture – became a core discipline in all post-secondary institutions across the region with applied research capacities.

Though US universities might have had a leg up in bringing A&M traditions into their curricula, our institutions were quick to catch up to the frontiers of knowledge in this domain; in fact, in many ways we are leading the world in applied research, be it in seed-breeding, adaptation to soil conditions, or advancing farming methods. Many farmers actively participate in applied research projects, or at least benefit indirectly from them through the seeds, fertilizers, pesticides, or chemicals they purchase.

The same way as our research-capacity is available to producers, it is accessible to those interested in procuring grains from our production-sources. They can consult with research-institutions for advice on where to find the type of crops they need, and if interested in entering advance-contracts, what regions to go to and what to look for in the way of seed-varieties and farming-methods to achieve the grade and quality standards they want – options not even relevant through bulk-channels.

The image we want to project to global audiences will carry the following messages, presenting the Prairies as a leading agricultural-region where farmers have access to the latest scientific knowledge, and work hand-in-hand with highly qualified experts.

Institutions: There are a dozen or more universities and colleges in the region, all with active agricultural research programs and labs at the service of the grain-economy. They have top-notch resources and are well funded through endowments and government agencies, provincial and federal. They are not only renowned academically but also actively engaged in hands-on applied research efforts in the fields – they have been instrumental in driving the advances in Prairie-farming.

Seed varieties: There were numerous contributions from the R&D sphere to Prairie agriculture, but probably the most significant were from the crop-genomics domain. Advances in seed-strains and their adaptation to local soil conditions contributed greatly to yield and quality improvements. Also, we saw significant benefits from drought-resistant seeds in the last crop-year; though it still turned out to be a poor harvest, it was nowhere near as bad as the last drought-year a decade earlier.

Growth conditions: Agronomists are also involved in field-operations by providing guidance to farmers with respect to crop-choices most suitable to varying soil conditions across the region, as well as best-practices in seeding, fertilizer-chemical applications, and harvesting-methods. The hugely successful effort in turning the region into a prime-source of pulses on the world stage was the result of close collaboration between agronomists, producers, and governments working together.

Sustainability: The scientific community is also active in furthering the cause of sustainable-agriculture, now with evidence that Prairie agriculture has turned into a carbon-sink, obviously a great feat in combating global-warming. The region is blessed with irrigation-free-farming, but with the help of the scientific community both resource-requirements and carbon-emissions are closely monitored to ensure that the sustainability-record is not just maintained but continuously improved.

*The portal-section devoted to extolling our region's cutting-edge research capacity in agronomy will be structured into three tabs under the above titles. The main tools we will use to put these strengths across are **case-studies** but we will also provide dedicated pages to give sponsors or stakeholders a chance to promote themselves.*



Diversity of our Crop-Base

Our grain-economy has a very diverse crop-base, in fact one of the most diverse in the world. But overshadowed by the fact that most of our crops are exported in bulk (85% of grain-exports through the West Coast), and two staples, wheat and canola, account for 75% of export volumes, our crop-diversity remains a well-kept secret. The *farm-profiles* we intend to post may set this record straight, but not sufficiently, as they will not portray the full extent of our crop-varieties in the aggregate.

The first thing to recognize is that we always talk about what we export, but our production volumes are double that. If anybody cares to investigate the mix of what we produce, they will find much greater diversity. Naturally, we have the flexibility of producing more of what we consume domestically, thus export more of the same. But we cannot expect overseas buyers to discover this diversity on their own; the onus is on us to present profiles of what we are capable of producing and exporting.

Another problem is our reputation as an all-purpose wheat-exporter. The fact that this crop, which we have an excellent reputation for, represents half of our export volumes is not a problem in and of itself. There are many wheat varieties and grades we can (in fact do) produce, including ones discerning importers are willing to pay a premium for. But this kind of differentiation does not seem to be in the interests of bulk-traders that are driven by volume; more of the same suits bulk-interests best.

Thus, we have a formidable task facing us in promoting our capacity to produce and export much greater variety and grades of crops, at least to increase our export prospects through direct-sales channels. In theory, the data for this purpose is available at the producer level, but not very practical to assemble. Instead, we hope to get the support of crop-commissions that possess the same data, as they are paid from the sales of their respective crops – wheat, barley, canola, pulses, etc.

This data also resides with the Canadian Grain Commission (CGC) but we hope to work with the grain-commissions for another reason. These are the creatures of the post-CWB era, funded through crop-sales, in fact producer-associations run by officials elected by their members, thus representative of their constituents. Thus, rather than CGC, it makes more sense for the *crop-profiles* we intend to assemble for export-promotion purposes to have the stamp of approval of producer-associations.

Also, with these profiles we hope to go beyond aggregate volumes by crop-category. We intend to provide importers with greater insights into what we can produce at a much finer level – by type, grade, or quality. We are much more comfortable working with producer-associations in promoting the interests of their members. We are hoping that what our core followers, producers, are interested in, value-driven export initiatives, will also be endorsed and supported by their associations.

Our objective in this vein is to portray the diversity of our crop-base, not just the varieties across major crop categories but also specific grades of each that are available or could be grown under contract to buyers' needs or requirements.

Staple crops: Wheat and barley used to be our board-crops exported through the Canadian Wheat Board. Since the dismantling of this single-desk monopoly, wheat remained our principal export-crop, now down to 50% of our grain-exports, but still, all in bulk. We intend to focus our efforts to specific grades of wheat, especially durum that we are well known for, but we also believe that our somewhat neglected barley varieties deserve more attention, mainly aimed at brewing and distilling.

Coarse-grains: We also have a much greater variety of coarse-grains in the offering, particularly oats and rye but also others – already grown but mostly for domestic and US markets. We see significant potential for these crops in global feed and food chains – specific crops or special purpose mixes exported in container-lots. We will try to bring more attention to these domains, particularly high-value types or grades, by targeting food-processing, breakfast-cereal, animal-feed as well as other markets.

Oil-seeds: Among oil-seeds by far the most significant volume we grow and export is canola; we are the largest grower and exporter of this crop in the world. There is little growth potential in canola, and now the industry is looking for alternative uses like bio-fuels. But recently soybeans have been getting a lot of interest, with grade and quality differentiation as a value-proposition. We will pay a lot of attention to soybeans, together with flax and other oil-seed varieties that are in high demand.

Pulses-lentils: The discovery of our potential in this ancient-crop domain has been the greatest value-proposition to our producers – dry beans, dry peas, lentils, and chickpeas. This has become a well-served segment of the grain-economy, with containerized-exports by industry leaders with global reach. It may not need us as much as other grain-segments, but we will pay as much attention to this domain as it deserves, to facilitate new export channels to geographical markets that we target.

*In addition to these major categories, there are many other crop grades and varieties available from our region, including niche-products like wild-rice and organic-of-anything. We must convey this crop-diversity to prospective buyers through **crop-profiles** on what we grow and export, as well as opportunities for contract-orders.*



Systems to Ensure Crop-Quality

We have an excellent reputation for the quality of the grains we export in bulk, based on the quality of crops we produce, classification-systems we developed, and the quality-control systems our grain companies have in place. At the receiving end of the bulk-trades, buyers get what they purchase, consistently and reliably without any worry over the quality standards being met, be it wheat, canola, barley or other.

Now we are calling for a shift to direct-sales, not because what we export in bulk is of poor or inconsistent quality, but there are inherent limits to crop differentiation or specialization through bulk-systems. The value proposition we see in direct-sales and container-deliveries lies with crop varieties or grades with specific attributes that buyers are willing to pay a premium for. Rather than growing more of the same with low margins, producers ought to turn their attention to these high-end markets.

In an article we posted recently, we examined export prospect to China's wheat-flour industry. Unlike in the past, there are no prospects for wheat-exports in bulk, but a great deal of promise in selling specific grades of wheat or durum, delivered in weekly container-lots to flour-mills. But as in any other type of specialty-crop sales with specific attributes, buyers must be convinced of the quality and consistency of what they will be getting in every container delivered to designated mill-locations.

Clearly, quality-assurance is much more important in direct-sales, particularly at the high-end of grain varieties and grades where buyers are paying a premium for crop-attributes. Our grain companies have an established reputation in global markets that what they export in bulk is of consistent quality. In container-trades, the quality assurance challenge is more onerous, but the onus is still on sellers (i.e., producers or their agents) to convince buyers that they will be getting what they ordered.

We are known for not only our grain-classification systems but also our accredited testing-reporting labs that uphold export standards and ensure that buyers are getting the types and grades of grains they purchase. These procedures that our grain-companies had long internalized equally apply to producers (or their agents) that shoulder the export-burden. Every container-load of grain exported is subject to inspection, and if required, even more stringent identity-preservation regulations.

We have an elaborate institutional capacity to closely regulate the grain industry, not just over quality-standards but also health-and-safety. There is the *Canadian Grain Commission* with broad ranging oversight, inspection, licensing, and reporting responsibilities. Also, there is *Agriculture and Agri-Food Canada*, a ministry with a broad policy and regulatory mandate over agriculture across the entire production, processing, and marketing spectrum. Overseas buyers can be assured that whatever they import is to the same quality standards as what we consume domestically.

The role we shoulder on behalf of our core constituency, grain producers, is to extol our region's virtues in quality-assurance, based on the strengths of our regulatory system with a broad mandate over the grain sector, including what it exports.

Regulatory heritage: Over the last two decades we have been actively privatizing and liberalizing our grain-industry, thus there is a perception that the government is out of the way. But deregulation pertains to markets, not health-and-safety; the grain-chain is tightly regulated from all angles to uphold quality-assurance standards along the entire chain, from production to handling to exporting. Importers can take comfort in the fact what they buy in containers is as secure as our bulk-channels.

Health-and-Safety: Grain is part of the food-chain, thus subject to the same health-and-safety regulations as anything we eat. 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. Also, regulations extend to grain-handlers, with every piece of equipment subject to health-and-safety rules.

Trade Licensing: Grain traders or exporters are also included in the regulatory-net, licensed through the *Canadian Grain Commission*. Producers are incentivized to sell through licensed exporters as that is the only way they get insurance-coverage. Any grain-trade we facilitate or get involved in will be through licensed-parties. Also, there are government-certified labs involved in testing and issuing reports on all grain-exports, as well as a variety of channels engaged in routine inspections.

Grain Classification: Our 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 also outstanding, and of course are of crucial importance in containerized trades.

*It would be hard to find another jurisdiction in the world where buyers can be more confident of the rules-and-regulations governing the grain-industry. They can count on **quality-assurance** along the entire grain-chain, growth to handling to exporting. Buyers should not worry about any of this, as long as they rely on credible channels.*



Prairie's Sustainability Record

Many agricultural regions around the world are forced to make desperate efforts to increase their output – encroaching on forests, degrading soils, drawing on depleting water-sources, burning fuel using aging machines, or blindly applying fertilizers and pesticides, all with no regard for the natural habitat. While agriculture worldwide has consequential environmental impacts, often overlooked in the cause of food-security, Prairie agriculture has a sustainable-record that we can be proud of.

In the Prairies, despite all the mechanization and introduction of huge machines, fuel consumption has declined because of operational efficiency improvements – in seeding, fertilizer-chemical applications, and harvesting. In fact, our farms are now absorbing more carbon than they emit – the farm-economy, at least at the primary production end, has become a carbon-sink. Despite significant crop yield-increases and rising output-levels, green-house-gas emissions have declined by more than half.

Improvements in soil conditions are also staggering; now the Prairies face little or no danger of soil degradation. Zero-tillage has increased from less than 10% to more than 50%, with potential to go all the way to 100%. Prairie-farming relies on rain for its water-supply; despite Canada's abundant freshwater reserves there is little if any need for irrigation. While critics are still obsessed with GMOs, less fertilizers and pesticides are used, with a notable shift to environmentally friendlier substances.

While the region's grain output has increased significantly over the last few decades, the farming-footprint has remained the same with no encroachment on forests or wetlands – not noticed but there are plenty of both to the north of the farm-lands. There are even more yield-increases on the horizon, perhaps as much as 2-3% a year, barring a worse global climate effect than feared – mostly a net contribution to exports as per capita domestic grain consumption is expected to stay the same.

Even if yields remain the same, we will be making a notable contribution to the global food-supply, 40-50 MT a year, and all without increasing the global carbon-footprint, at least from the production end. Whatever yield increase we can achieve, our contribution to the global food-supply will grow at double that rate. This is not something any other grain-growing region can tout from an environmental perspective – certainly not emerging ones, and not even other advanced ones.

The only downside to our future from a sustainability perspective, is the planned shift from food to fuel in the use of our second largest crop, canola. This is a horribly misguided move when there are so many other renewable energy sources, and we could be switching to alternative crops to contribute to food rather than fuel supply. If this plan materializes, it will be a black-mark on our sustainability record; however, we believe producers will have the wisdom to switch to higher-margin crops instead.

Our role here is to draw on research reports or articles published on the topic to convey the sustainability record of the Prairie grain-economy, as we believe these achievements will be very helpful in promoting grain-exports in overseas markets.

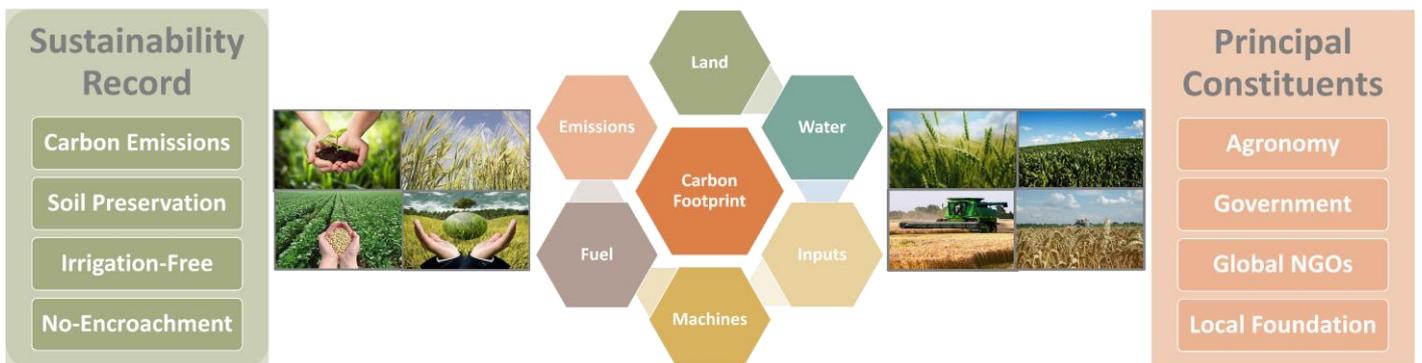
Agronomy Community: As we noted earlier, the research community at large is dedicated to the sustainability cause in agriculture as part of the global efforts in combating climate-change. Across all streams of research – seed-varieties, soil-conditions, farm-inputs, and methods – carbon emissions, soil degradation, and other environmental impacts are paid close attention. We will try to be a conduit that connects the research community to our followers – producers and buyers alike.

Government Agencies: There is no shortage of work done in the cause of fighting climate-change and promoting sustainability in a broader sense – not just through Environment Canada but also other ministries and public-agencies. We have no capacity to take on original work in this domain, but as much as we can, we will try to post short-pieces to reflect on findings relevant to sustainability in Prairie agriculture – also, we welcome any support to our efforts in promoting the region.

Global NGOs: The interest in agriculture used to be mainly through a food-security lens, be it in the cause of fighting hunger or promoting healthy-diets – both important agendas from the perspective of the Prairie grain-economy. Even of greater urgency now is fighting climate-change. We will not be shy about promoting our grain exports from a sustainable if not carbon-neutral base, over those regions that grow more crops by encroaching on forests or wasting scarce water-resources.

Local Foundations: While many other NPOs or NGOs also pay close attention to sustainability in agriculture, the work sponsored by the Canada West Foundation stands out in documenting the sustainability-record of Prairie agriculture. We will draw on this work, as well as future studies they sponsor, to present the virtues of becoming a carbon-sink through energy-conservation and emission-reduction efforts, as well as in soil-preservation and land-conservation (forests and wetlands).

*We are in the process of compiling two reports in this domain, but our promotional efforts will draw primarily on external sources through abstracts we post. Also, we will solicit sponsored portal pages or sections from research-centers, government agencies, and NPOs/NGOs on the **sustainability-record** of Prairie agriculture.*



XXIII. How to make grain-markets work for producers

We were motivated to embark on this initiative in the belief that the Prairie grain-economy was in trouble and needed to reinvent itself: a reality we saw based on our previous experience in this domain and having observed it for two decades from overseas. Despite all the technological advancement, yield increases, and export growth that had been achieved, the grain-economy was not living up to its potential.

We are unabashed producer-advocates and believe that they are not getting a fair shake in overseas export-trades. We had supported liberalization and privatization efforts, but in many ways, they were carried out in a rush through asset-sales with no regard for industry-structure or market-competition. This left our overseas grain-exports in a bulk-warp, in the hands of a handful of grain-companies with too much market-power, squeezing producer-margins and limiting crop-diversification.

In this article, we touch on many of the topics we discussed before but with a slightly different twist – how to make grain-markets work better in the interests of our core constituency, producers. We start with the observation that North American grain markets, where we sell about half our output, work more competitively. There are traders, consolidators, and wholesalers, but direct-sales to corporate-buyers exert enough pressure to keep markets in check for producers to get fair-margins.

In overseas export-sales, grain-traders drive their market-power from the control they have over bulk-systems, limiting not only producer-margins but also their crop-choices to trades more suitable to bulk-handling. Unless a shift is made, our bulk-trades will come under more pressure from low-cost emerging grain-regions – which many seem to be in denial of – producers will feel the margin-squeeze even more, perhaps even threatening their very viability to continue to produce the same crops.

With half our grain-output moving to overseas markets under these precarious conditions, at least from producers' perspective, we need a *paradigm shift*, nothing radical but one more in line with the healthier market conditions we observe in North America, with more market discipline exerted through corporate-buyers. This shift has three dimensions – diversification, containerization, and direct-sales. These are common themes of many of our articles, but here we come back to them again.

The shift we call for is not radical, but it will not come without a concerted effort. We may not realize it, but our global reputation is built on grain-terminals and bulk-shipping, with little mention of crop-varieties and their special-attributes that stem from the virtues of our advanced-farms and their production-capacity. We will come back to this challenge, what we call recasting our global image, together with all the end-market research requirements in our next article, but here we will focus on market-fundamentals – what will bring the *paradigm shift* we are calling for.

Competitive grain-markets in North America

We keep talking about lack of alternative channels to bulk, but always with a qualifier, in overseas markets; in our own backyard the situation is very different. What we consume domestically plus cross-border sales to the US make up about half of our grain production. As most other sectors, grain-markets across North America are highly integrated and function quite competitively through multiple-channels.

A significant share of grain output is consolidated in the hands of grain-companies or distributed through wholesale channels, depending on industry or supply-chain structures in end markets or the handling and processing requirements of the grains being sold. But direct-sales, producers to end-users, are equally significant, a critical factor that makes markets function competitively to protect producer-interests.

At the receiving end of these direct-sales across North America are mostly corporate buyers – flour-millers, food-processors, crushing-plants, feed-producers, or other end-users. The larger ones have their grain-procurement programs that reach out to multiple producers in their vicinity or even more distant grain-producing regions to buy the crops they need in quantities they require. Naturally, they have their quality or grade standards, and compete in the marketplace to procure what they need, pay pre-negotiated contract-prices or prevailing market prices, or some combination of both – a contract-base with agreed upon market-adjustments, premium or discount.

However, not all mills, processors, or other end-buyers are equipped to set up their own multi-source procurement systems. Either they are too small and do not want to rely on too few sources, or their grain-needs are too diverse to contemplate this model. For these buyers, alternative sales-channels tend to form, which can be clustered in two groups. First, wherever there are grains for sale, there are always speculative or opportunistic traders that emerge. Second, market conditions give rise to *bona fide* consolidators that cater to the needs of those buyers that are too small to source directly. Markets can function without the first but not the second.

As long as there are prospects of direct-sales, we do not have to worry about producer interests being undermined by market forces. There may be much fewer buyers than sellers, but as long as there are multiple buyers to compete for the same crops, producers can be assured of their fair share of margins along grain supply-chains. If there are too few buyers of certain crops with too much market power, producers can switch to other crops, which is a blessing in our region with such a diverse crop-base. Even if there was undue concentration in any one crop segment, wise buyers would know the dangers they would be facing if they were underpaying.

In this context, we would be amiss not to mention corporate farming as an often-feared threat to producer-interests. If this trend were to take hold, essentially many

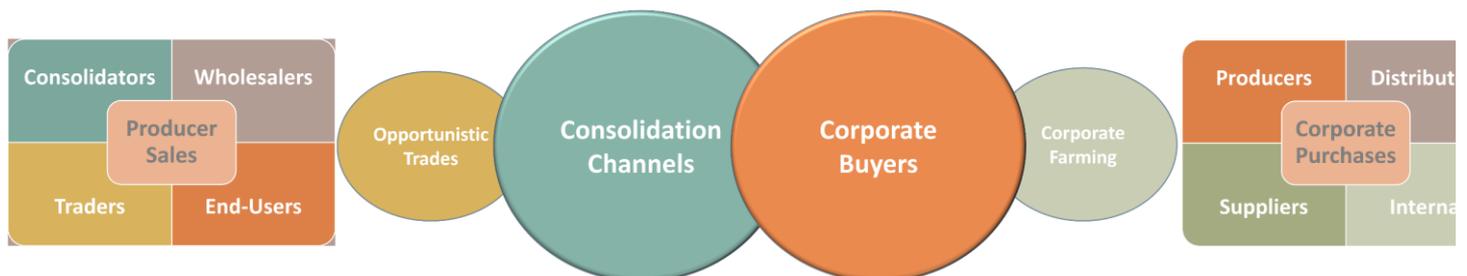
of today’s major grain buyers would be growing their own crops, limiting sales prospects for producers – taken to the extreme, not just limiting sales but wiping out grain markets altogether. There is more evidence of this in the US than in Canada, and we tend to believe that we could be facing the same threat if it was not for our laws or regulations standing in the way. In fact, we have little protection per se, but we can take comfort in the fact that this is not a real danger to be worried about.

Corporate farming is not a new threat; it goes back to the 19th century in the US. An often-cited case is our own Hudson’s Bay Company trying its hand in Washington but eventually pulling out, a rare defeat to the brutal colonial trader. History tells us that there will always be pockets of it, and over time spurts of revival, like recently even across our Prairies, but corporate farming is not a threat to family-farming traditions. Lately we are seeing consolidation, which is in part due to scale-economies, but not a sign of inevitable corporatization. Where scale comes into play, mainly in technology applications, a bit of cooperation among neighbors can always rise to the challenge.

At times we tend to be critical of the production-base of our grain-economy, but its core-strength, drawn from family-farming traditions, is alive and well, though we may have to get used to larger farms and cooperation among smaller ones. Also, the broader primary-production sphere is as strong as we can hope for. Producers have access to world-class research-capacity in agronomy, the best farm-supply sources, latest equipment, and info-tech applications. We have a strong institutional base through grain commissions or associations to fend for producer interests; if they do not, it is up to producers to get more involved for stronger representation.

Moving from production to the trading sphere, we have competitive markets functioning to protect producer-interests, at least across North America where about half our grain-output is destined to. Producers have market access through direct-sales channels that function competitively and impose the same discipline on other channels through consolidators or other intermediaries. There is little reason to worry about producers being gauged by corporate interests in North America. But when it comes to accessing overseas export-markets, where the other half of our grain-output is destined, we cannot be as sanguine about market conditions.

North American Grain Sales Channels



Captivity of overseas exports to bulk-trades

What makes North American markets competitive is the preponderance of direct-sales between buyers and sellers. Producers make crop-choices based on best prices they can get from end-users, mainly corporate buyers. There are grain-companies playing consolidation or wholesale functions, but they must compete with prices that prevail through direct-sales channels. This competitive dynamic ensures that producers get best possible prices and make their crop-choices accordingly.

There are no barriers for trading parties to connect directly. Buyers have visibility into production sources and can reach them directly to enter purchase-contracts; if necessary, they have access to those sources to conduct further due diligence. Also, there are no cultural or language barriers to business relations between them. All grain regions have the service-capacity to clean, grade, or further process grains to buyer-specifications, while most deliveries can be made directly by truck or rail.

If market conditions favor producer interests, the obvious question is why we do not stick to North American markets instead of worrying about exporting to overseas markets. The answer is equally obvious: North American markets are mature with limited growth potential, while we produce twice as much as they can absorb. Thus, we must either dramatically cut back on production, which would not be palatable to anyone, or try to pursue overseas markets through similar channels and on equally favorable terms as across North America – *precisely what our mission is all about.*

In contrast to multi-channel North American markets, overseas exports are mostly in bulk, with several drawbacks for producers. First, large grain-companies, custodians of bulk-systems, have too much market power. They entice producers to grow crops that suit their trading interests at low prices by offering secure, reliable, and even advance payments. In the absence of alternative export channels, producers have little choice but accept the terms, leaving behind precariously low margins to subsist – *thus, the captivity to bulk-trades that we are determined to free producers from.*

Second, bulk-trades limit diversification to higher-value crop grades or varieties. Our bulk-systems are well compartmentalized, but compared to containerized-IP loads, there are limits to the varieties and grades that can be handled in bulk. While bulk-traders claim that the variety is dictated by global demand, it is evident that they are driven by volume rather than variety. The key to value-driven diversification in global grain markets is containerization, which our bulk-traders have little interest in – *thus, producers are denied a chance to shift to higher value specialty crop exports.*

Third, bulk-systems date back to the single-desk export era, when transport costs were indeed much lower in bulk than containerized intermodal shipments. Through privatization, the new owners became invested in a highly capital-intensive system,

which they now are driven to utilize as much as possible to generate returns on their investment. As a result, they are motivated to do everything in their power to sustain the captivity of our grain exports to bulk, including hindering containerization – *thus, our exporters are denied of higher margins, and importers of cost savings.*

Fourth, the type of crops that lend themselves to consolidation and bulk-trading are under increasing pressure from emerging grain-regions that have lower production costs than we do. Our more advanced and high-cost producers are incentivized by bulk-traders to continue to grow the same crop varieties that we may no longer be competitive to sell into global markets. Our grain-companies seem to be in denial, but even our traditional exports are in jeopardy, in fact already declining in volume – *thus, producers must face up to this reality and diversify through other channels.*

We acknowledge that grain-companies, despite their stronghold on bulk-exports, are price-takers from global markets. In the absence of alternative channels, however, they hold considerable market-power over producers, not just over purchasing-prices but also crop-choices, discouraging producers from crops that do not lend themselves to bulk-handling. But oblivious to realities, grain-companies seem to expect the world around them to change instead of adjusting their own practices.

It is generally assumed that global price pressures can be absorbed by producers, but there are limits to how much producer-margins can be squeezed; at some point low-price crops cease to be viable to produce in Canada. Even our principal export-crop, wheat, is under pressure; even high-grade varieties are now available from Eurasian sources at lower prices. In this case, we can go even further up the grade or quality scale, but like all specialty-crops, these types of wheat require containerization.

There is a false sense of security in our grain-economy: we have always been on top of the grain-world and that we cannot be displaced, a comfort that is reinforced by the advances we see in our production capacity. But we stand by our moto, and what may sound like a slogan is meant as a serious warning – *specialize or perish.* If our grain-companies do not wake up to competitive realities in global markets, our producers must shoulder the burden of the *paradigm shift* we are calling for – wean off their dependence on bulk-trades, embrace diversification and containerization.



Elements of a hopeful paradigm-shift

We are calling for a paradigm-shift in overseas export markets, but despite the radical sound of it, what we are calling for is not much different than the model that is already in place across North America and works in producer-interests. Perhaps the only substitution is “containers” instead of direct truck or rail shipments, as in this case there are oceans involved. The basic model has three basic elements:

Diversification: If producers are afraid of change, we would remind them of what they have already gone through. Most of what they exported was wheat and barley, and heavily weighted towards the former. To escape the CWB-monopoly, many of them saw virtue in canola, shifting to it in search of higher margins but not entirely, just as a rotational alternative to wheat. Then came the pulse-revolution with a much higher value-proposition, but still in single-digit share of our export-volumes.

Even after all this diversification, two crops still account for 75% of exports, wheat 50% and canola 25%. This was a huge improvement, a much healthier mix than what our neighbor to the south, US, must contend with, 3 bulk crops (corn, soybean, and wheat) accounting for 90% of its grain-exports, all in bulk. Still, our bulk-exports are in jeopardy with increasing competition from low-cost emerging grain-regions, particularly canola which we are too exposed to, with a 65% global market share.

What we are calling for is further value-driven diversification, to make our export-portfolio much less vulnerable from a high-cost production-base. Decline in canola-exports is inevitable, but in wheat we can not only retain but increase exports with more grades or varieties in the mix. We have huge growth potential in pulses, as well as oil-seeds like soybean, and coarse grains like oats, whether for feed or food uses. There are many other specialty crops that we grow but export little of.

Containerization: Still living in a bulk-war, we have not quite grasped the benefits that come with containerization. Believing that this is still an expensive means of transport, we do not realize the efficiency improvements that have been achieved in intermodal systems, not to mention benefits of smaller but more frequent deliveries that reduce storage or stocking costs at destination. While we stick to bulk-systems, grain-trades within the EU and across to Asia are already largely containerized.

We may have the best classification-systems and compartmentalized bulk-systems, but shipments do not end until final delivery – how can we ensure product integrity at the receiving end? We do not realize the extent of quality differentiation and preservation that can be achieved through containerized grain-export deliveries. We may have full trust in our bulk-systems but cannot convince buyers that specialty-crops they pay a premium for can be IP-delivered in any other way than containers.

We can relate to producers’ ambivalence to containerized grain shipments from the Prairies after decades of struggling to get empty containers. But after working on

numerous intermodal projects in Asia, dozens of both inland and coastal terminals, we have difficulty relating to these concerns. They are either misguided or myths propagated by industry lobbies, both railways and bulk-traders with vested interests. We see no difficulty in pulling containers inland by working with the shipping-lines to properly plan and manage container-flows, as done in most parts of the world.

Direct-sales: Earlier we noted the abundance of direct-sales channels in North American grain-markets, and their virtues in protecting producer interests. Only if corporate-buyers can reach out to production-sources to procure what they need, and get them shipped directly, grain-markets work effectively to satisfy the interests of both parties to trade-transactions at fair prices and terms. The challenge is to establish similar channels to overseas markets to reduce dependence on bulk-trades.

In this vein, we must recognize the power of *information* in facilitating the formation and functioning of markets. To pursue direct-sales opportunities, producers must learn more about end-market conditions to identify export opportunities that they can respond to with the crop-choices they make, a burden historically left in the hands of grain-companies in a bulk-dependent trading-system. This is an essential requirement of a value-driven diversification strategy in search of higher margins.

For actual sales to materialize, however, trade facilitation efforts must go beyond identifying market opportunities. Sellers and buyers need to connect to be able to engage in transactions, where the challenge is much greater overseas than within North America. Prospective importers know little about our production sources and crop varieties that they can start procuring directly from farms, like corporate buyers do routinely across North America. Providing the necessary visibility into our grain-economy is indeed a challenge, a burden that befalls on grain-interests collectively.

In many ways, we try to do this on producers' behalf through our *farm-profile* and *grain-mall* initiatives. But there is also a burden that falls on producer-associations and public-agencies in recasting the Prairie-image on the world stage as a leading source of grains where overseas importers can reach out to procure a huge variety of high-quality crops directly from highly advanced production sources, without having to rely on intermediaries. We will come back to these issues in our next article.



XXIV. An action-plan to achieve our paradigm-shift

In our last article we elaborated on the *paradigm-shift* we are calling for to further producer interests in overseas export markets, a shift away from bulk-trades to direct-sales, much like trade occurs across North America. By enticing overseas-buyers to procure what they need from production-sources, and get them shipped in containers, producers will be able to diversify to higher-value crops and earn higher margins, while buyers will also benefit by getting what they need in container-lots.

The paradigm-shift we are calling for in overseas markets is by no means “radical”, not even unconventional. The changes that will come with this shift, which will benefit producers, have long been standard practice in our domestic markets, and even in our exports to the US. But their extension to overseas is not going to come about without a concerted collective effort. To this end, we are putting forward a four-prong action-plan; we will expand on each prong in our next series of articles.

First, though we are known as a major grain exporter, there is little visibility into our grain-production capacity at the farm level, let alone the strengths of the ecosystem surrounding those farms. We may be known for our staple export crops, but not even for all the varieties and grades of those staples, let alone many other oil-seeds, coarse-grains, and pulses we grow. Also, there is much more we can brag about, including our research-capacity, quality-assurance, and environmental-sustainability.

Second, as important as promoting our own capacity, is understanding consumption and processing trends in end-markets. This has become a much-neglected domain even within the confines of bulk-trades, as we seem oblivious to the vulnerability of our traditional exports in global markets. The value-driven diversification strategy we are calling for requires an in-depth understanding of industry-structures and supply-chains that we are targeting with higher-value crop grades and varieties.

Third, direct-sales require connectivity, between sellers and buyers, which happens quite organically in the highly integrated and transparent grain markets across North America. Our mission is to nurture the same in overseas markets, an integral part of our trade-facilitation efforts. While extolling the virtues of Prairie production-sources, we will reach out to corporate buyers in targeted industry-segments and crop-markets, not only to establish connectivity, but also foster trading relations.

Fourth, in the coming months we will give priority to bringing transparency to our region’s grain-handling and logistics capacities and providing evidence of execution ability as direct-sales start materializing. In many respects, these capacities are in place, as direct grain sales are already prevalent across North America. Now we must demonstrate that what takes place in our backyard in trucks or rail-cars can be done in containers across the Pacific. We have already published a post on how we plan tackle this challenge, and we will elaborate on these plans in upcoming posts.

Promoting producers in export markets

Many wonder why we need to make a special effort to promote ourselves in global markets when we are the 5th largest grain-exporter in the world, known for the quality of the crops we export. This may be known by importers at the receiving end of our bulk-trades (grain-companies or wholesalers) but not by the end-users we are trying to reach through direct-sales channels. The latter (millers or processors) may not even know that the grains they buy from intermediaries are *Grown-in-Canada*.

Thus, we face a formidable challenge in raising awareness and confidence among overseas buyers, demonstrating that our region is not only a prime source of the grains they now buy, but also that even higher quality crop varieties can be bought directly from producers – processed, containerized, and shipped to final destinations with crop-integrity intact. The primary promotional tools we will use in this vein are:

Farm Profiles: These are the tools we use to portray the advanced state of our primary production sources, with latest science-and-technology in action growing a huge variety of crops that can be purchased at farm-gates, and cleaned, graded, tested, containerized, and shipped to final-destinations. We are hoping to post 100s of these individual farm-profiles in the next year or so, provided that their owners to agree to participate in this exercise, all in the cause of promoting their own interests.

Regional Profile: While farm-profiles are at the core of our agenda, we also see value in promoting our collective virtues, the entire grain-ecosystem that supports individual producers. Key elements of this ecosystem are the research-capacity producers draw on from agronomy, local suppliers of the best farm-inputs in the world, full range of equipment vendors and infotech solution providers, associations that represent producer interests, and authorities responsible for quality-assurance.

Virtual Grain Mall: Our end goal is to incorporate all these elements (individual-farms and regional-attributes) on a virtual-platform that will showcase all the virtues of the Prairie grain-economy. Prospective buyers will be able to visit farms at *virtual-stores* and learn more about the region's broader attributes at *virtual-pavilions*. The main themes on display will be crop variety, advanced agronomy, cutting-edge technology applications, management systems, quality assurance, and sustainability.



Understanding end-market conditions

Our record in understanding global markets is even poorer than in promoting our own virtues. For example, as China was rising to become our largest grain-export destination, all we seem to know was that they were buying more from our bulk-stocks, never trying to understand what was driving that demand. Similarly, we have been paying little attention to the vulnerability of our staple-exports through bulk-channels to increasing competition from low-cost, emerging grain-producers.

We hope to pay attention to these issues, not to support or protect bulk-exports but to bring attention to the dangers our primary constituents, producers, face in their dependence on bulk-trades. But the focus of our market-research agenda will be on new opportunities that can be fulfilled through direct-sales channels, higher grades of crops we already export in bulk, or specialty-crop varieties with higher margins.

Country Profiles: Our trade-facilitation efforts, at least for the time being, are aimed at the Asia Pacific region, where we are targeting 8 countries – China, Japan, South Korea, Indonesia, Philippines, Thailand, Malaysia, and Vietnam. We will start these efforts by developing demand-supply profiles to determine current and projected import requirements, as we know they are all net grain importers. We will try to get as granular as possible by crop-type, but within the confines of readily available data.

Consumption Trends: We will then try to decipher consumption trends to identify main demand-drivers – meat consumption driving demand for feed, shifts from rice to wheat or coarse-grains driven by dietary trends, signs of emerging demand for high-value crops like pulses that present huge opportunities for us, as well as high-grade soybean varieties that we are paying more attention to. We will prioritize crop varieties that present us with the greatest export prospects (not volume but value).

Supply-Chain Analysis: Against the background of all this, comes the real challenge, targeting end-buyers, which requires further study into industry-structures and supply-chains. In our previous studies we cited in earlier posts and articles, we gave examples of how we targeted corporate buyers along wheat-flour, animal-feed, and breakfast-cereal industries by tracing technology and supply-chain trends. We must conduct many more studies like this, not just in China but across the entire region.

China Japan South Korea Malaysia

Country Profiles

- Demand-Supply Profiles
- Import Requirements
- Current Import Sources

Consumption Trends

- Meat-Feed Consumption
- Rice to Wheat Diets
- New Dietary Trends



Indonesia Philippines Thailand Vietnam

Industry Structures

- Floor Milling Industry
- Major Food Processing
- Feed Manufacturers

Supply Chain Trends

- Wheat-Flour Chain
- Bakery Chains
- Grain Distribution Chain

A platform to connect buyers and sellers

The end game is not just identifying end-buyers in export markets but attracting those buyers to our region with the intention of procuring the grains they need directly from our production sources. But at the same time, we must mobilize our producers to respond to these export opportunities. Trade facilitation efforts start from both ends, but grain-sales do not materialize instantly like on Amazon. There is an arduous path of trading-relations that are required before contracts are signed.

These are not one-click-sales, and the platforms that approach grain-trades in that vein do not have much success. We pay more attention to the nature of grain-trades and chart our course, accordingly, following a consultative process that requires dialogue and negotiations between parties on contract details. Thus, instead of a trading-platform, we take a fundamentally different approach, a trade-forum:

Trade Forum: Starting with a dialogue-box on our portal (soon to be activated), this will evolve into a layer build on top of our virtual *trade-mall*. Even at these early stages, we will give producers a chance to post the types of crops they have in the offering, with the option of incorporating them in farm-profiles or taking up their own dedicated pages on the trade-forum. Similarly, prospective buyers will be able to post their profiles detailing crop needs with specific attributes (type or grade).

Sales/Purchase Inquiries: Once we have both producers and prospective buyers engaging on the *trade-forum*, we will actively solicit them to post sale or purchase inquiries and encourage them to start interacting on the details. They can then enter an exclusive phase in negotiations or post their requests (purchase or sale) for competitive bidding. There will be structures built into the platform to support either path, but we will not get involved in the process unless asked to do so.

Contract Support: We see most of these buyer-seller interactions going down a contract-negotiation path, settled exclusively or competitively. Any negotiation can go off our platform into a private deal among parties at any stage; whether initiated or facilitated through us, we will not impose any compulsory commissions. Fees or levies we charge users will be service-based, transparent and voluntary; we are there to offer fee-based contract-support services, not to impose trade-commissions.



Containerized export-logistics capacity

Even at these early stages of trade-facilitation efforts, we are paying close attention to the development of supply-chain arrangements to handle grain shipments once they materialize. A lot of the details will naturally depend on crop-types being sold, as facilities cannot be built in advance waiting for sales to happen. Also, containers cannot be secured in advance, or final-delivery arrangements made, until actual volumes are committed to contractually, at least revealed by expressions of intent.

Still, in the coming months, we will be posting articles laying out conceptual plans on how we intend to handle different types of crops from sources in the Prairies to Asia Pacific destinations. We have a post coming out on container repositioning, which will be followed by three case-studies, albeit hypothetical ones, on selected crops (durum, barley, and cereals) shipped from Prairie origins to Asia Pacific destinations.

Grain Handling: Some direct sales with limited handling requirements can be handled at source, even containerized on farms. Many producers already have the means or can set them up easily, on their own or in partnership with neighboring producers. As an example of a commercial facility taking on these functions, we are working on a case-study of an actual facility with a range of equipment to handle a variety of crops – we will follow this up with a few other third-party service-models.

Container Supply: Since we published a post on this topic, which received a strong following, we have been continuing consultations with port-authorities as well shipping-lines, confirming that container-supply is not an obstacle that cannot be overcome, as long reliable flow-management practices are in place. We have three facility case-studies underway to demonstrate this – one near Vancouver (involving grain-positioning) and two others close to grain-sources, Edmonton and Saskatoon.

Export Facilitation: In this vein, we are continuing our efforts down two separate paths – contract-consolidation and export-processing. Discovery efforts confirm that the direct-export movement is only going to gain momentum through consolidation, which we addressed in one of our previous articles and will follow up on with more material. Also, we are working on a partnership with a licensed grain-exporter to ensure that we are not scrambling to handle if early-bird contracts materialize.



Urgent call for support and participation

As you might appreciate from the tasks we have outlined above, we have a lot on our agenda, which we are trying to tackle with a small team and limited resources. As we also expressed many times, we want this mission to succeed with as little burden on our producers as possible, not even commissions from future sales.

Based on our achievements to date, we may be ready for investment finance, but this will come with pressure to monetize as early and as aggressively as possible. Here we are not asking for financial contributions from our followers but soliciting their support for our efforts to get help and raise funding from external sources.

Producers: A critical piece of our strategy moving forward is the farm-profile program, which naturally requires producer participation. But all we are looking for at this early stage is a mere consent to sign-up, followed by a brief consultation and a few photo-images – your profile can be as brief or elaborate as you wish. Beyond this we are not looking for any financial contributions from producers, other than moral support they can provide to raising funding from other sources in their cause.

Associations: There is a vital role for producer-associations to play in the execution of our portal's mandate. Firstly, they sit on production and sales data that we need for our promotional agenda, particularly in preparing crop-profiles to display our crop-diversity. Secondly, they can provide invaluable input to our diversification initiatives, what crop-varieties we should focus on. However, most of them seem to be standoffish – we need producer support to mobilize them behind our cause.

Research Institutes: We recognize the importance of the role agronomy-research has and will continue to play in our grain-economy's advancement. We want to give this topic as much attention as possible on our portal by extolling the virtues of our grain-ecosystem, as overseas buyers are likely to benefit from this capacity as well. We are sure in time the research community will rally behind our cause, but in the meantime any suggestions or support producers can provide would be most helpful.

Government Agencies: A crucial piece of our image-recasting strategy is quality-assurance, which is the culmination of public regulations – classification-systems, health-and-safety, identity-preservation, among others. In addition to input for this effort, we are hoping for government funding for our market-research agenda, which falls on both export-promotion and economic-diversification mandates. We have taken funding initiatives in this vein but so far response is lukewarm at best.

Corporate Sponsors: As noted in our article on the grain-ecosystem, we intend to reach out to corporate interests serving the grain-economy – material suppliers, equipment manufacturers, info-tech vendors, and other service-providers. We are hoping for their support through advertising or sponsorships; our following is already close to their thresholds, particularly coming from a highly targeted audience. But producer comments and endorsements would greatly strengthen our portal's case.

XXV. Our path from an information-portal to a trade-platform

We embarked on this portal initiative in the belief that producer interests were not served well through bulk-trades: they limit producer's diversification potential and lower their margins. Also, bulk-exports are under increasing competition from emerging regions, something we seem oblivious to. Our motto, *specialize or perish*, was part aspiration and part survival instinct. To reduce producers' dependence on bulk trades, we called for a *paradigm-shift* towards containerized direct-exports.

At the outset, we were somewhat ambivalent as to whether producers could be swayed in this direction. In view of what they had gone through over the decades, we anticipated resistance to change. Vested-interests were fueling fears that direct-sales would bring too many trade-risks, and that producers would be much better off sticking to the *status quo*, what had helped them increase yields and prosper.

However, what we advocate is not at all radical, and has already happened across North America, with the necessary market-discipline required to protect producers in our own backyard. All we hope for is to achieve the same practices in overseas export-markets that we employ in North America. Thus, we launched this portal, which can be best characterized as an *information-portal* in the Internet world.

The interest in the concept proved much stronger than anticipated, not enough to declare victory, but encouraging enough to proceed with the next phase, beyond just ideas or concepts to actual grain-trades. To this end, we developed a plan to evolve our information-portal to a *trade-facilitation* platform for producers to engage with prospective buyers from overseas to pursue contract-sales opportunities.

In coming to this realization, we discovered that the real obstacle in the way of our mission was not producer-resistance, but lack of visibility into our grain-economy on the part of importers. The region is known for the quality of its bulk-exports, but not for the variety of crops that can be procured directly from production-sources, direct from farms. In this vein, we face a real challenge in recasting our global image.

Outside North America, the world knows very little about our grain-economy other than the bulk-domain, but even then, our reputation is limited only to the bulk-importers. End-users of our grains know next to nothing about our advanced-farms or the variety of crops they produce, let alone our many collective virtues, like research capacity in agronomy or strength of our quality-assurance programs.

We took all these factors into account in modifying our development strategy by adding *ecosystem-profiles* to our *farm-profiles* to extol our collective virtues, while embellishing the *grain-mall* concept to promote the Prairie grain-economy from both angles. In addition to all these elements, here we present the *trade-forum* layer that we are building on top of the grain-mall for trade-facilitation purposes.

Farm-Profile Program

As part of our trade-facilitation efforts, our mission is to present Prairie producers as primary-sources from which importers can procure grains, whereby making them as accessible to overseas buyers as they are to North American ones. With the *Farm-Profiles* we post, we want to extol the virtues of our advanced farm-economy where importers can source the crop-varieties they need and get them shipped to their facilities in containers – door-to-door grain deliveries with crop-integrity intact, as needed, tested-documented in accordance with identity-preservation regulations.

Scope: End-users of our grains never see the true scope of Prairie agriculture, as all they are exposed to is bulk systems. Our farms are among the most advanced in the world, with science-and-technology in action to produce a huge variety (types or grades) of high-quality crops to fulfill contract-orders, individually or collectively. If only this capacity were more visible to prospective buyers overseas, buyer interest would be forthcoming, leading to sales-negotiations and ultimately contract-orders.

Input: We are developing the tools to showcase farm attributes, which we display below, but we naturally need input and cooperation from producers to execute this plan. The type of material we are going to need from participants include photo-images, technology-highlights, farming-practices, past crop-mix and volumes, and this year’s crop-outlook. We will discuss these needs with each participant and get their consent that the information they are providing can be displayed on our portal.

Process: After producers sign up, we will contact them for a consultation session, and as we start receiving material, we will populate their profile. When a “draft” is ready, they can review it online, privately, and securely. Then we will finalize the material with their explicit consent and post their profile on the *Farm-Profile* tab of our portal. As the numbers of profiles increase, we will introduce a search-routine (by crop-attributes) for viewers to find the type of farms they are looking for.

The first batch of 10-15 profiles we prepare, and post are at no cost to participants. We intend to scale this program up to 100s of farms (in time 1000s); thus, we need funding. Now we are looking for corporate, institutional and/or government sponsors to be able to offer this service at as little cost to producers as possible.



Broader Ecosystem Profiles

Farms are the primary production-sources, but farmers do not function in a vacuum; their success is as much due to the grain-ecosystem surrounding them, as their own wisdom and entrepreneurial-drive. We would be amiss not to pay as much attention to this broader ecosystem, which in the Prairies is highly advanced to support farms. We discuss the scope and strengths of this ecosystem in many of our articles and are developing several *ecosystem-profiles* that will be given as much prominence as farm-profiles in our promotional efforts. Here we will touch on three elements.

Research Capacity: The region’s agricultural research capacity is unmatched, with programs and labs at the service of not only producers but also buyers. Advances in seed-strains, and their adaptation to local soil conditions, contributed greatly to yield and quality improvements, and will continue to drive diversification to specialty-crops. Applied-scientists are also actively involved in field-operations, guiding best-practices in seeding, fertilizer-chemical applications, and harvesting practices.

Institutional Base: We have deregulated grain-markets but not food-safety; multiple government agencies have broad range of regulatory and licensing mandates over the entire grain-chain – from production to processing to handling to exporting. To ensure crop quality and integrity, we have elaborate crop grading-and-classification systems in place, as well as testing-inspection procedures, not to mention identity-preservation regulations of crucial importance in containerized grain exports.

Advanced Methods: The region has the world’s richest mineral-base for farm-inputs (fertilizers, nutrients, pesticides) and a well-developed distribution system. Latest machines are in action with GPS for position-tracking and automated-guidance, and variable-rate-spreading devices to apply the desired amounts of inputs. Information-systems are at work behind the scenes, coupled with big-data uses, allow integrated activity planning and management systems for highest yields and best crop-quality.

These are just a few examples drawn from the broader ecosystem that supports the production sphere. As we noted already, we will highlight these and many other virtues in our ecosystem-profiles, which will be given just as much prominence in our Trade-Mall as farm-profiles, our “window” into the Prairies to promote crop-exports.



Virtual Grain Mall Concept

The next step in our promotional strategy is to display this vast array of information – hundreds, if not thousands of farms, together with regional profiles – on a *virtual platform* easily accessible and navigable to prospective grain buyers from all around the world. Individual-farms will be presented as *virtual-stores* visitors can find by crop varieties that they are looking for. We will also design *virtual-pavilions* around specific themes to extol the virtues of our broader grain-ecosystem – themes like crop-diversity, agronomy, farm-inputs, technology, sustainability, quality-assurance.

Virtual Stores: Each farm in our profile-program will have a *virtual-store* in the mall, private virtual space where they can promote their crop-varieties and special-attributes. We will provide the tools to open the *stores*, but their *owners* will be able to update the contents (data or images). There will also be space for *super-stores* where producers can come together to market their crop offerings (virtual coops) as well as common-areas (like wheat-alley) where multiple producers can be present.

Virtual Pavilions: We will select themes for *virtual pavilions* to extol collective virtues or special interest topics. Public agencies, producer associations or industry groups can sponsor pavilions, of our conception or their own design. We will ensure that essential themes like crop-research or quality-assurance are given attention and represented by different segments of the ecosystem. There will also be corporate-pavilions for equipment-vendors, suppliers, or solution-providers to sponsor.

Global Reach: Our virtual-mall will be a collection of grain-outlets, akin to market-places or trade-malls. But rather than a stagnant collection of store-alleys, we want the mall to be a dynamic setting projecting an image of an active marketplace. To this end, we will pay particular attention to visual and audio displays to attract buyers to interact with vendors for trading purposes. Thus, we will continuously introduce new themes of interest to global buyers and promote them digitally.

The Trade Mall initiative should easily attract producers, a natural extension of our farm-profile program. But attracting a wider constituency from the grain-ecosystem, may require more effort. Also, the mall-initiative and by extension the trade-forum will require considerable platform-development effort in building the foundations.



Trade Facilitation Platform

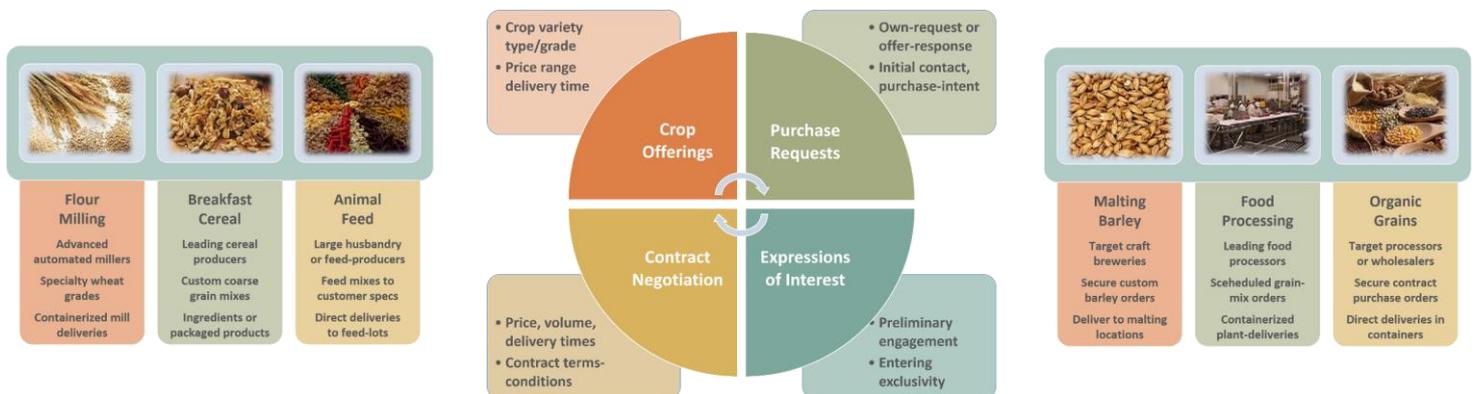
In addition to farm and ecosystem profiles, our *Prairie Grain Mall* will have another layer for trade-facilitation purposes, a platform for producers to post *crop-offers* and prospective buyers *purchase-requests*. As we discuss on our portal, grain-trades do not lend themselves to one-click-sales, and those e-commerce platforms taking this approach have not been very successful. However, there is still scope for nurturing trade-relations through a consultative-approach to connecting buyers and sellers, paving the way to contract-negotiations, the very purpose of our *trade-forum*.

Crop Offerings: In preparing farm-profiles we encourage producers to state what they are growing in the way crop of varieties and grades, as well as what they expect from this year’s harvest in terms of crop-volumes, again by type and grade. Clearly, a natural extension of this is to post *crop-offerings*, not committing to any sales but seeking expressions-of-interest from prospective buyers. This will help them test the market prior to engaging in contracts, through bulk-trade or direct-sales channels.

Purchase Requests: As we noted above, we will be actively promoting the *Grain-Mall* in overseas markets to attract prospective buyers to visit and see what our region has to offer. Obviously, the reason for them to visit our portal will stem from a desire procure crops, as tentative as that intent may be at that stage. If they had any real interest, they would be willing to engage by posting *purchase-requests*, perhaps not make price offers but at least to test the market for what they need.

Trade Negotiations: Our role will be monitoring both *crop-offerings* and *purchase-requests*, in fact actively encouraging both buyers and sellers with suggestions or even enticements to engage further. This may well lead to further dialogue between the parties, all we expect at this early stage, but by establishing a channel through the *trade-forum* we would have paved the way for contract discussions – it would be up to them to continue through the portal or take the contract-negotiations private.

As we make it clear in our mission-statement, we have no intensions of holding our followers, buyers or sellers, captive to our platform, nor imposing commissions on trades that we initiate. But if either party sees value in what we offer, we would be happy to engage in consultative or advisory capacities through trade-negotiations.



XXVI. Reaching out to the supply-technology sphere

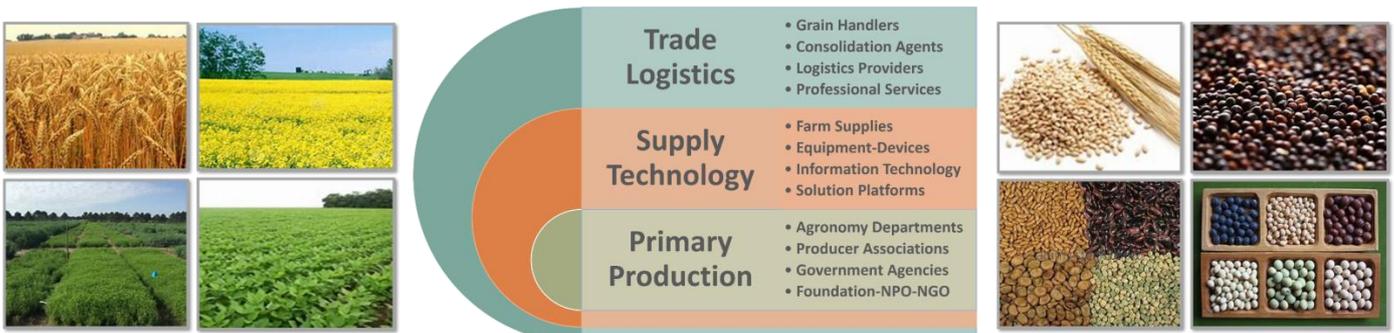
We recently posted an article on the broader *grain-ecosystem*, where we break down its three separate spheres – primary-production, supply-technology, and trade-logistics – all vital to the functioning of actual production-units, individual farming enterprises. We have since dealt with the primary-production sphere in some detail; here we turn to the supply-technology sphere, with the intention of coming back to the trade-logistics sphere with another article in a couple of weeks.

As we emphasize repeatedly, the Prairie region is among the world’s most advanced and diversified grain-regions. In this regard we give much credit to the ingenuity of our producers, but we should also acknowledge the support they draw from the supply-technology sphere. In promoting our farm-economy in overseas markets, our portal will pay as much attention to the broader grain-ecosystem through *regional-profiles* as we do to primary production-units through individual *farm-profiles*.

We aim to evolve from our current *information-portal* state to our *virtual-grain-mall* where overseas buyers can discover the Prairie grain-economy with all its virtues displayed online. While farms will be on display as *virtual-stores*, collective regional virtues will be showcased through *virtual-pavilions*. Many of the pavilion-themes will focus on the elements of the supply-technology sphere, while individual suppliers or vendors can sponsor their own stores or even specialized pavilions.

Our primary mission is to promote crop-exports in overseas markets through direct-sales channels, thereby facilitating further crop-diversification that we strongly believe will yield higher margins for producers. To this end, we extol the virtues of not only our farms but also the support they get from the supply-technology sphere. Thus, there is a compelling case for suppliers and vendors from this sphere to get more directly engaged in our promotional efforts in self-interest, mainly in two veins.

First, they will expose themselves to overseas markets where they can promote their own offerings. Our main target audience is grain-buyers, but we can extend our virtual-reach to related audiences of interest to our suppliers and vendors. Second, our case-studies will demonstrate the benefits of new technologies and solutions, helping vendors expand their domestic sales – as we will get into below, our grain-economy still seems to face a technology adaptation or penetration challenge.



Our approach, tools, and venues

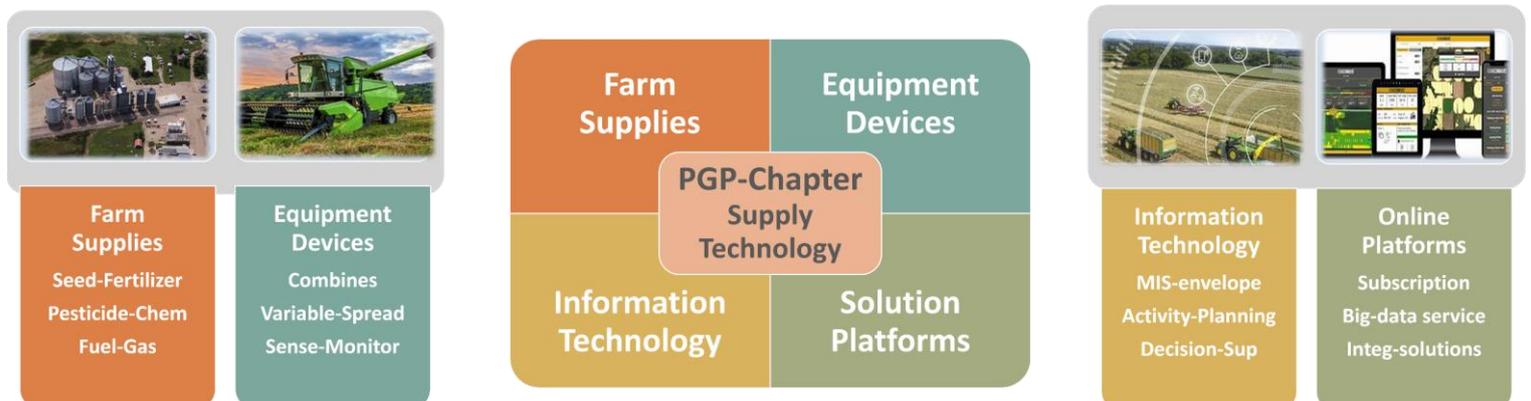
As we discussed in our previous article on the grain-ecosystem, we view the *supply-technology* sphere in four segments: farm-supplies, equipment-devices, information-technology, and solution-platforms. From a producers’ perspective, these domains may be overlapping and needing integration, but their suppliers and vendors tend to be quite distinct and must be approached individually to rally behind our cause.

Though the best approach would be to compile a comprehensive supplier-vendor list, this is easier said than done. Thus, we are now approaching this challenge through indirect means, while identifying as many suppliers and vendors as we can:

- Farm-Profiles: We are casting our net as widely as we can to develop a representative base across the Prairies. Where we can identify candidates with advanced technology or special applications, we flag them for further scrutiny.
- Theme-Profiles: As more farms subscribe to our farm-profile program, we will be able to identify advanced (or interesting) ones to profile with a technology, solution, system, or other special features (crop-diversity, sustainability, etc.).
- Vendor-Profiles: Down these profiling tracts, we will get a chance to identify leading suppliers or vendors to profile. Also, as we publish these profiles, more vendors will come forward to be profiled from technology (or other) angles.

This year we hope to post at least 100 *farm-profiles*. Also, we are confident we will be able to select 25 *theme-profiles*, which will mostly take the form of *case-studies*. Out of all this we will come up with at least 25 vendor-profiles, which we will tackle with the collaboration of the participating vendors. As these profiles are compiled, they will be posted on our current portal, and later migrated to our new platform.

The goal is to incorporate all these profiles into our showcase theatre, *Prairie Grain Mall*, where our grain-economy will be on virtual display with all its attributes and virtues. Individual producers will be on display with their farm-profiles, which in the new platform-structure will be *virtual-stores*, while suppliers or vendors will be promoted through *virtual-pavilions* (theme-profiles as labelled above). We will also help any willing supplier or vendor to develop their own virtual stores or pavilions.

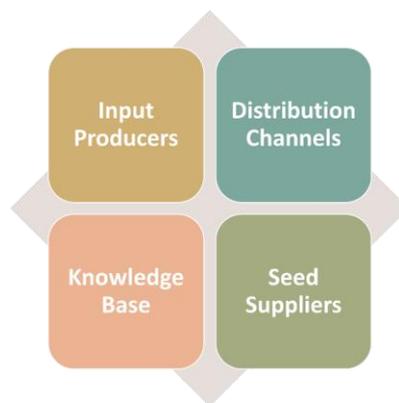


Farm Supply Cluster

The Prairie region has the world’s largest and richest mineral-base for not only the full spectrum of fertilizers (potash, nitrogen, phosphate, or sulfur) but also nutrients, pesticides, insecticides, and other substances. The region’s producers have direct access to a huge variety of farm-inputs to choose from, depending on what crops they grow, soil and growth conditions they face. All these inputs are available through competitive channels, be it producers’ own or third-party distributors.

- Input Producers: The region is home to the world’s largest farm-input company (Nutrien), not only supplying domestic markets but also exporting to overseas. There are also several others, niche producers or global-giants in this business, with competing products they make with access to the same rich mineral-base.
- Distribution Channels: Inputs can get to farms through multiple channels they choose from, everything delivered to them (including fuel) by Federated Coop, or by multiple channels (producers or third-party distributors), with also the option of driving down the road for pickup from an independent outlet or coop.
- Knowledge Base: We would not want to take away from farmers’ wisdom but farm-input-management, and the progress we have made in this domain could not have happened without the deep-well of agronomy-knowledge we have across our region – as important an edge as our unmatched mineral-resources.
- Seed Suppliers: We often take for granted but it would be hard to find another region in the world where farmers have such a choice of seed-supply sources. In addition to corporate-sources, our farmers have access to a multitude of seed-farms around them – a rather fragmented but highly vibrant domain.

We will make every effort to reach as many suppliers and distributors as we can, with the hope of profiling them to our audiences. We will then migrate these profiles to our *Virtual Grain Mall* – vendor-store or theme-pavilion sections. We will give particular attention to the *agronomy-knowledge* and *seed-supply* domains, as they are both vital to our value-driven crop-diversification strategy. We included the agronomy-domain in our primary-production sphere, but we will also try to reach as many seed-farms as we can to get them to actively participate in our mission.



Farm Equipment and Devices

Grain-farming has undergone a massive technology-transformation, with latest farm-machines in the fields equipped with position-tracking and automated-guidance devices. Operators of latest combines sit in *cockpits*, watching map-displays and monitors while navigating their machines, which often have variable-rate-spreading devices as well as monitors to detect moisture-levels and soil-conditions.

In presenting our grain-economy’s advancement, we will rely on our standard tools:

- Farm-Profiles: Our standard format has a technology-component, but it is up to the participating farm-owners to decide how much detail to display or discuss.
- Technology-Profiles: We will augment these farm-profiles with case-studies on technology themes – farming methods/practices or equipment/device features.
- Vendor-Profiles: We will also invite vendors to prepare or sponsor their own to promote their brands – equipment models, auxiliary devices, or other features.

These elements will be moved onto our *Grain Mall* platform as that replaces our current portal. Some items will be appended to *virtual stores* (farm or vendor sponsored) while others will be incorporated into appropriate thematic *pavilions*. In addition to these more promotional pieces, we will undertake or commission more in-depth studies on specific topics or concerns to our core constituency, producers:

- Equipment affordability: There are huge discrepancies in equipment renewal, with the largest farms replacing combines (most expensive items) every year, while as you go down the scale-ladder you find older equipment. If the mega-farms are making rational decisions, these discrepancies raise huge concerns for the health of our farm-economy. Thus, the matter requires further study to see if finance-remedies are required, and how they can be implemented.
- AI-driven or autonomous devices: These are also expensive items promoted by many technology-advocates. The first question is whether yield and quality improvement benefits do indeed justify the expense at these early stages. The next is whether, like latest farm-machinery, they can be afforded by all farms irrespective of scale. If the investment-economics support them, then suitable finance instruments will be needed to make them universally affordable.



Management Information Systems

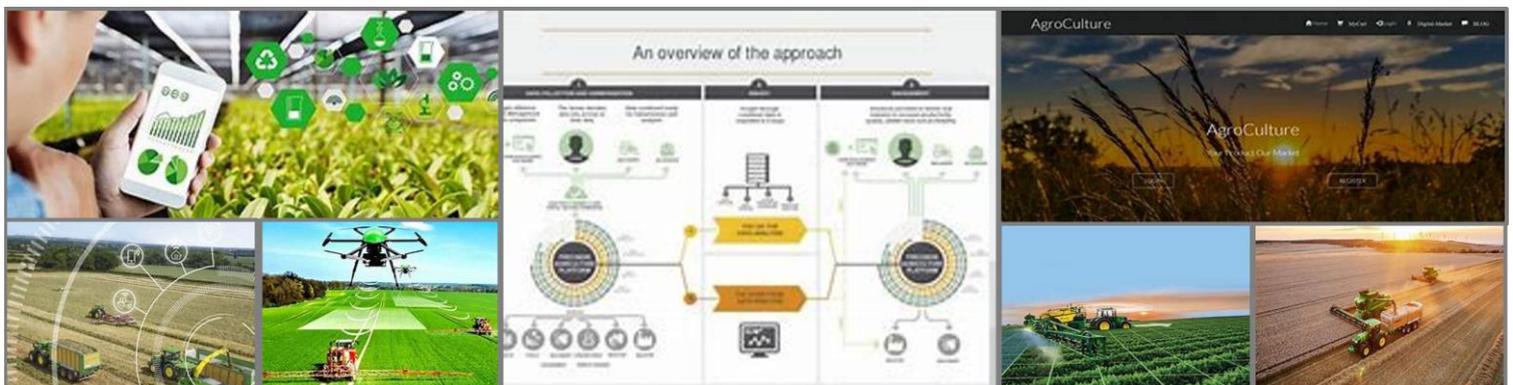
Farm operators have wireless access to field-data, which they can actively use for integrated activity-planning purposes, and in real-time for decision-support – seeding to fertilizing to growth to harvesting. With so much data and need for precision-applications, there is scope for more sophisticated applications, with the added benefits of managing farm-inputs and crop-yields. Also, there is room to push the MIS-envelope further with *big-data* to facilitate more effective seeding and harvesting practices, as well as yield forecasts for sales-and-marketing purposes.

The early MIS offerings in farm-management were appendages to accounting-packages, but like in other industry segments, there are promising trends underway:

- The more advanced offerings resemble integrated-enterprise-solutions like in other sectors of the economy. These may be affordable to larger farms but not within reach of most. Also, lack of in-house resources poses challenges in implementing and fully utilizing these systems to realize their full benefits.
- There is a promising trend towards online-platforms that store farm-data, and combined with data from external sources, offer subscription-based solutions. They are more affordable and greatly reduce the in-house IT-resource burden, but so far these types of solutions have achieved limited market penetration.
- However, the IT-industry segment targeting farming applications is growing, restructuring, and consolidating. As this process unfolds, we can expect more affordable and practical solutions in the offering, but in the meantime a lot can be done to facilitate this process as the potential benefits are real and huge.

We will pay a lot of attention to this domain to promote what there is in the way advanced farms, and to facilitate further MIS penetration into farms all sizes:

- From one end, we will showcase MIS applications through *case-studies* of advanced farms, which there are plenty of across the region. These will be incorporated into *farm-profiles* or *special-themes* on our *Grain Mall* platform.
- From the other end, we will continue to post articles on the subject (of our own or commissioned) while we also try to attract vendors or solution-providers to sponsor *case-studies* and stage their own *virtual-pavilions* on our Grain Mall.



Specialized IT-Solutions

Within this broad management-information-system (MIS) or information-technology (IT) domain, there are specific solutions that are of particular interest to us in carrying out our own mission, facilitating direct-sales to overseas export-markets. We are pursuing this mission to shift our export-mix to higher-value crops with specific attributes, requiring stricter quality-standards and grade-uniformity.

The motivation for producers is obvious, higher margins, but there is also a burden that comes with this shift, grade-achievement and identity-preservation. We will be extolling our technologically advanced state through *farm-profiles*, as well regional-profiles on *agronomy-research* capacity and *quality-assurance* regulations. But we can also make a strong case to this effect through readily available IT solutions.

We want to cast an image of a grain-economy where new technologies are literally turning farming into a grow-to-order business, perhaps not quite to manufacturing-standards but still far superior to what buyers get from bulk-stocks. In this vein, we identified a range of applications or solutions that are of crucial importance to us:

- **Stock Management:** In fulfilling contract-orders, it is critically important for producers to embrace yield-monitoring practices to achieve the volumes that are required to meet the shipment-schedules they commit to – if not, have contingency arrangements in place to draw on alternative production-sources.
- **Crop Integrity:** Our national quality-assurance standards go a long way, but there are specific applications that trace the origins of grains being delivered all the way back to the seeds, through the entire growing, harvesting, handling, and shipping chain – we intend to embrace this more rigorous IT-approach.
- **Sampling-Testing:** Many corporate buyers require sample-tests of the grains they are going to receive before they are shipped. Our accredited labs are set up for this purpose, but now there are IT solutions that tackle this challenge at source, to transmit the results in advance of shipment for buyer-approval.
- **Contract Management:** In fulfilling advance-orders, particularly sustained ones, we strongly recommend use of contract-management and progress-reporting practices. There are many SW-tools for this purpose, but the most appropriate ones must be selected and adapted to specific requirements of grain-contracts.

We have already identified solution-partners in each of these domains, and we will promote them using our standard collaboration tools as we move forward:

- **Vendor Profiles:** We will select strategic-partners and post them on our portal, with application-profiles that focus on the value they add to our mission.
- **Case Studies:** As in other IT-MIS domains, we will collaborate with vendors to showcase their applications in the benefits they bring to the grain export chain.
- **Trade Mall:** Vendors can have their own *virtual-stores* to promote themselves, but we will also incorporate these solution themes into our *virtual-pavilions*.

XXVII. Reflecting on CWB and looking ahead

Bulk-systems dominate our overseas grain-exports, and our mission is to create alternative or parallel “direct” export-channels for producers. We believe these direct channels can connect buyers with actual production sources, much like corporate buying practices across North America. Our last few articles focused on our plans and platform strategy to move overseas grain-trades this direction, to a more prosperous plateau exporting higher value crops yielding higher margins.

In our upcoming posts we will continue in this vein to engage producers further in the process, and to get their guidance in formulating our diversification initiatives. Here we thought we would take a break and look back at how our grain-trading system has evolved, what has been achieved, what stands in the way of producer interests, and how we can make the market-system work better, more fairly and competitively – not through government-intervention but trade-facilitation.

We start with the Canadian Wheat Board (CWB), as the topic appears on our social-media page quite regularly. Some loath it even more than they did when it was in existence, while others still reminisce about those “good old days”, both sides with great passion. Since it is hard to get into the details on social-media, we take a couple of pages to describe how CWB had come about, how it had evolved, and how it had vanished – but we try to stay away from “drama” by sticking to realities.

Then we turn to broader industry trends, how the grain-economy had advanced even when the CWB had *monopsony* powers over wheat and barley – single-desk buyer and exporter. We also discuss the other side of the grain-industry, provincial wheat-pools, and how they consolidated and privatized even before CWB vanished. What emerged from this process was a highly concentrated grain-trading industry, not in domestic or cross-border grain-trades but in exports to overseas markets.

The real problem in overseas exports is their dependency on bulk-trades, especially when combined with a handful of grain-companies holding all the gates to the bulk-system. This structure not only squeezes the margins left over to producers but also holds back our diversification to higher value crop varieties and grades. The solution is not regulating or breaking up dominant grain-companies, but to put all our efforts to open more competitive direct export channels to overseas – our core mission.

In the last section we turn to the remedies offered through our own portal initiative with a three-prong strategy: direct-sales, specialization, and containerization. Critics may find a lot of challenges that come with this strategy, but this is the only path to prosperity, for the grain-economy collectively and producer-interests individually. The prospects are there to attract overseas buyers to procure the crops they need directly from our highly-advanced production-sources, farming-enterprises, which in turn will allow producers to diversify to higher-value crops and enjoy higher margins.

Looking back on CWB's heritage

The most talked about topic in grain circles in the last few decades has been the Canadian Wheat Board, a single-desk marketing system with monopsony powers over wheat and barley, the traditional export staples of the Prairie grain-economy. Until its demise in 2012, it had been the source of all evils for its critics, and the sole source of prosperity for its staunch advocates who still favor its resuscitation.

To relate to this perennial controversy, we must not only go back to the institution's creation in 1935 but even before that to the roots of the problems that had plagued the grain-sector, thus giving rise to the CWB. As the Prairies were being settled and opening to grain-trades, farmers learned to detest the railways they were dependent on and the grain-traders they believed were colluding to extract all the profits.

During WW1 the government shut down the *Winnipeg Grain Exchange*, took control of grain exports, and set up the *Board of Grain Commissioners*, a monopoly with price-fixing powers over most grains. Upon the war's conclusion the government set up the *Canadian Wheat Board* but only for one year. In its aftermath grain prices collapsed, not surprising with production resuming all around the world. Farmers had grown to like the idea of government regulation if not control over grain trades, as they were adequately compensated, with no traders trying to exploit them.

In the ensuing *laissez-faire* era, it was evident that the government was not going to step back in to regulate trades let alone fix prices. Thus, farmers decided to take the matter into their own hands; they set up their own cooperatives, *wheat-pools*, that took over all the members' output with the sole authority to market and sell grains – private traders were cut off. But the ensuing *Great Depression* did the wheat-pools in; not being able to hedge against crashing prices, they were left virtually bankrupt.

To clean up the wreckage of the *Great Depression*, public policy tide had reversed to interventionism all around the world, including Canada. To salvage the farm-sector, the federal government reinstated the CWB, initially as a temporary measure to give farmers some security. With the onset of WW2, however, the Board's powers were greatly expanded – compulsory participation by all, statutory price controls, and covering not just wheat and barley but most things grown across Western Canada.

Unlike after WW1, now there seemed no appetite to disband the CWB; government was determined to expand its mandate and authority, not just over exports but also domestic grain trades. With William Craig McNamara taking the Chair in 1958, and ruling until 1970, the Board's authority was expanded and entrenched in legislation. McNamara had risen through the wheat-pool movement, with the charisma to become Canada's grain-czar, a super-salesman on the world stage – opening new markets for Canadian grains, including forays into the Soviet Union and China. There were protests from the US, but farmers at large seemed content with the new order.

Towards the end of McNamara's rule, cracks had already started forming, the main thrust of discontent coming from the domestic feed-grain domain but also extending to the Board's control over too many crops, trapping farmers into a very tight-cage with little commercial freedom. Soon after McNamara's retirement into the Senate in 1970, the government limited the Board's mandate to non-feed wheat and barley.

This narrower monopsony-model extended CWB's life but with growing opposition – expressed in terms of personal-freedoms but a reflection of a broader political shift. When Brian Mulroney became PM in 1984, Conservatives had already taken power in Saskatchewan, for the first time since the *Great Depression*. Alberta had been in conservative (or social-credit) hands virtually forever, NDP would lose power in Manitoba in 1988, and the fact that NDP would come back in Saskatchewan in 1991 did not matter, since a market-driven-economy had become the accepted norm. Another 13 years of Liberal rule in Ottawa would not change anything either.

Before coming back to CWB's dissolution, let us touch on one additional dimension of the debate during the Mulroney era, when the grain sector came under further scrutiny during free-trade negotiations with the US. Though CWB proponents did not put much stock to it, US claimed unfair competition in export markets coming from a monopsony and by extension its single-desk marketing powers. The matter was swept under the carpet since the US had other matters to disguise, like hidden agricultural subsidies. On the world stage, WTO flip-flopped on the issue of whether CWB was a monopoly or a marketing-body, basically leaving the matter in limbo.

In any event, CWB survived the long stretch of Liberal rule in Ottawa, a federal matter that provinces could not do much about, particularly with NDP in power in the largest grain producing province, Saskatchewan. Going into the 2006 election the Conservatives were determined to bury CWB for good, and they probably could have done it even in their minority status if it was not for the aggressive behavior of the Minister of Agriculture from BC, not very sensitive to Prairie sentiments.

When the Conservatives gained the majority in 2011, they were quick to act with Bill C-18, *Marketing Freedom for Grain Farmers Act*. The Bill withstood a legal challenge and CWB's single-desk power came to an end by August 1, 2012. The Bill had also set a 3-year deadline for CWB's privatization; until then the entity could function as a grain-company. This deadline was met with the sale of a majority-stake to Global Grain Group (3G), a consortium of Saudi interests and a US grain-company, Bunge.

In our humble opinion, the whole saga of the CWB since the early 1970s had turned into a mindless political battle instead of following a rational trade-policy course. A great deal of progress was being made in the Prairie grain-economy, particularly in domestic and cross-border trades, but our overseas exports remained captive to bulk-trades with serious implications for the health of the grain-economy at large. First, however, let us look at what had happened in the shadows of the CWB.

Industry trends during and after CWB

To sum up our position on this controversial if not bitterly divisive topic, the role of CWB and its impact on Prairie grain-interests, these are our main points:

- CWB's inception was justified during WW1 to stabilize the farm economy, but its dismantling gave rise to another collective-intervention through the wheat-pools.
- The government's post-WW1 *laissez faire* approach was misguided, forcing its hand to CWB's reinstatement to restore stability during the *Great Depression*.
- CWB's expanded scope in the post WW2 era was an overreach, especially in domestic trades, but still made us a leading grain-exporter on the world stage.
- Clawing back CWB's scope to wheat-barley in 1972 was the right move, but a non-compulsory marketing-function could have also worked for these and other crops.

As to the next 40 years, we cannot relate to the intensity of the conflicts coming from both sides of the divide but must respect both as legitimate political discourse. CWB was neither as detrimental as the critics would claim, nor as necessary as its proponents believed. In defence of that neutral if not indifferent attitude, we would cite all that had happened to achieve progress in the primary-production domain:

- Driven by advancements in agronomy and technology, and improvements in farming-methods, grain-production was transformed beyond recognition.
- As a result, phenomenal yield-increases were achieved; with modest growth in domestic consumption, our grain-export volumes more than doubled.
- By the late 1990s canola export-share was already more than 10%, and 20 years on it would reach 25%; wheat share declined (75% to 50%) but not in volume.
- We became the premium source of pulses and added soybean to our exports; pea, lentil, soybean, and other oilseeds grew to account for 20% of our exports.

In view of all this, you may wonder why we are even pursuing our mission and what we are trying to accomplish. Sceptics may suggest that the same way as we were indifferent to CWB, we should let the grain-economy follow its natural course; however, the problems we see and are trying to tackle are not in production, but in the trading-sphere that holds the grain-economy back from achieving its full potential and prevents producers from realizing their fair share of the surplus.

In trying to find the underlying cause of these problems and searching for remedies, we must look at the grain industry's structure, not at the farm, but at the trade end. While everybody (producers and governments alike) was obsessed with trying to save or shut-down the CWB, a parallel structural transformation was evident in the grain-trading industry – a tsunami of corporate consolidation was already underway.

As we noted above, in the aftermath of WW1 the government had taken a hands-off approach to grain-trades, which had forced farmers to take the matter into their

own hands by forming cooperatives, wheat-pools, to battle powerful private trading interests. These pools found themselves insolvent during the *Great Depression* but managed to survive to live another day. They resumed playing a crucial role in collecting grains from farms, consolidating at country-elevators, selling directly where they could (non-board grains) or delivering to CWB terminals for export.

While the primary focus was on CWB, it went unnoticed (at least in policy debates) but in the mid-1990s a major restructuring and consolidation was taking place. The largest, Saskatchewan Wheat Pool (SWP) became a publicly traded company in 1996, followed by the merger of Alberta and Manitoba pools in 1998 and in 2002 bringing United Grain Growers under their wing to form Agricore United. In 2006 SWP launched a bid to take over AU; a competing offer from Richardson was withdrawn with an asset sharing arrangement, and Viterra came into being as a private giant.

Viterra went on a global acquisition spree expanding its operations to United States, Australia, and New Zealand, but the story would not end there. In 2013 Viterra was taken over by the global commodities giant Glencore, LSE-listed company but would hold Viterra under a Netherlands-based subsidiary, to become known as Glencore Agriculture. In 2016 Canada Pension Plan bought a 40% stake in the company, when the Viterra brand came back – perhaps a token of Canadian identity-symbol but the giant remains firmly in control of Glencore, and global trading circles know it as such.

In the span of a mere decade these consolidation trends were of huge significance but got little attention. Ironically, the focus of policy debates remained on CWB, even though the potential competitive consequences of these consolidation trends were much more consequential. Even more surprising was that in a country where economic-nationalism always raised its head, there was little attention paid to the scale of assets falling into foreign-hands, through not just Viterra but privatization of CWB – combined, a huge chunk of the asset-base supporting our grain-trades.

We at this portal tend to be agnostic to the national origins of corporate ownership in competitive industries, and moreover, take comfort in “contestability” – in other words, potential for competition from new channels to serve producers – to be too concerned with concentration per se. But we still find the government’s indifference to both concentration and foreign-ownership in the grain industry surprising, since this is an industry of national-interest with a high-degree of export-dependence.

In this case, increased concentration in the hands of a handful of grain companies was particularly worrisome, as they controlled access to the bulk-systems that overseas grain-exports were captive to. With all the gateways to the bulk-systems, inland grain-terminals, in their hands the market-power of these grain-companies would be uncontested. It did not change our panacea of opening direct-sales and container-logistics channels but made our mission more necessary and urgent.

The real problem: captivity to bulk-trades

In 1972 CWB's monopsony was only on wheat and barley but that did not change its role as our single-desk grain-export agency to any great extent. Back then, wheat (including durum) accounted for the lion's share of our grain-exports. With barley also in the mix, albeit in smaller quantities, CWB was the face of our grain-exports in global grain-markets. We produced significant volumes of other grains as well but mostly for domestic consumption, thus they hardly registered in our export-mix.

We were and still are the "king" of wheat in global grain-trades, and deservedly so with the quality of what we export and the classification-systems we have in place to ensure that importers get what they buy. But while wheat trades were expanding worldwide, our export volumes did not change very much in the last 25 years (about 20 MT/year). We were losing market share to emerging grain-growing regions, as they were not only increasing crop-yields but also improving their crop-quality.

After decades of accusations levelled at the CWB that it was holding back our grain-economy, we had finally privatized the much-hated institution. It has been a decade already, but we have seen no increase in our wheat exports, thus continued decline in our global market share – in our view, not very surprising. Through privatization, assets had changed hands, but the system remains the same; our wheat exports are still in bulk, with the same incentive-mechanisms and trading-practices in place.

We now have more grain-companies engaged in wheat-trades, at both ends, buying from farms and selling to world markets, but wheat flows through the same bulk-systems where all grain companies share terminal capacity, inland or coastal. These grain-companies are price-takers from global markets but price-setters for farmers, in theory competing among themselves but in practice with enough market-power to squeeze producer-margins to cover their costs, with appreciable profit-margins.

After decades of highly charged debates, we managed to privatize the CWB without giving any thought to the structure of the industry that would emerge in its place. In essence, we replaced a *public-monopsony* with a *private-oligopsony* without giving any thought to how that oligopsony would function in practice, particularly when the main crops being liberated (wheat-barley) were captive to a bulk-system, which was shared among the members of the oligopsony, giving them too much market power.

As a result, farmers became price-takers from a handful of grain-companies that had little incentive to compete to outbid each other when they were all price-takers from global markets, with similar and transparent cost structures. They shared the same bulk-system where the terminal-capacity they controlled dictated their respective export volumes. None had any technology or handling advantage to differentiate themselves, but every incentive to buy each other out for larger market share.

In the last 10 years since CWB losing its monopsony power over wheat, we have not come across any empirical evidence that what producers' take from overseas wheat exports has increased. The benefits of the newly privatized system are generally couched in abstract terms that producers have been freed from a monopsony to gain their freedom in a market economy, but with no evidence of any material improvement in producer-margins, nor any increase in our wheat-export volumes.

However, what we fear most may be yet to come. In Canada we hear little about the competitive threats our wheat exports face from emerging grain-regions. As noted already, they are increasing their yields and quality standards, evident from our shrinking global share in wheat trades. Prices have been holding if not increasing with growing demand, but we remain vulnerable in trying to compete from a much higher cost-base, and slowly losing our grade-advantage with others catching up.

Based on our global observations, our outlook on wheat-exports was grim for the 2021-22 crop-year. We had much less to sell due to drought but by mid-January (regarded mid-crop-year) our wheat sales were down 40% and durum down 35% compared to the same time previous year. The prospects now look much better with the Russia-Ukraine War breaking out, but obviously, we would be irresponsible to be counting on wars every year to maintain our wheat-durum export volumes.

This does not mean our wheat-durum exports are in jeopardy. Instead of just relying on our traditional advantages in high-quality and well-classified wheat-grades, we can go much further in differentiating ourselves in the grades and varieties we grow, and how we ship them identity-preserved. We have the soil conditions, as well as advanced agronomy and technology at our disposal for a more rigorous value-driven diversification strategy, even within wheat-durum let alone in other types of crops.

We have been focusing on wheat as it constitutes 50% of our export volumes but let us also take a brief look at canola, our second largest crop with 25% export-share. The shift to higher-value canola was an escape from CWB's monopsony and started modestly with exports to the US by truck or rail. As overseas exports increased, canola also got trapped in bulk-systems just like wheat, with the added vulnerability of us gaining two-thirds share of global exports in a relatively narrow trade-domain.

The moral of the story is simple: to lift our grain-exports to a higher-value plateau, we must reduce our dependence on bulk-systems. Thus, we should have paid as much attention to this issue as to abolishing the CWB. Custodians of bulk-systems have too much market power, thus producers must try to find direct-sales channels if they wish to increase their margins. This can only come from specialty crop grades or varieties, typically sold in smaller quantities, which bulk-trades are not particularly suited for, as they are driven by volume. Thus, in addition to developing direct-sales channels, our strategy has two other dimensions: specialization and containerization.

Our panacea: specialization and containerization

We always think of grain-trades taking place through grain-companies. Going back to the 19th century, farmers sold their produce in nearby markets, or crops to mills or processors. In time we came to think that direct-sales were primitive, now best left to grain-companies to buy from producers, consolidate, and sell to end-users. Even though direct sales were still taking place, we refused to acknowledge their virtues; furthermore, information channels had developed to make them so much easier.

Grain farming had advanced to grow a vast variety of crops for domestic markets, but we believed it was best to stick to what we always exported, wheat and barley, and later canola, if only to escape the monopsony we had created to manage the other two. While we could have shifted to specialty crops, we stuck to the same export-staples, with wheat and canola representing 75% of our export-volumes, in both cases facing competition from emerging grain-regions with lower cost-bases.

Not too long ago, the only way to carry grains across oceans was by bulk-ships, and to ports by rail in hopper-cars. We built country-elevators to consolidate and coastal-terminals to store and load ships. We regarded our bulk-system as the most efficient means of transporting grains, ignoring that grain-trades had been getting containerized in other parts of the world for years. We were overlooking the obvious advantages of point-to-point intermodal-systems, and it is time we wake up.

Direct Sales: As we discussed in a recent post, direct-sales from producers to corporate-buyers would not be anything new. They have long been the main-stay of domestic grain-trades, and in time also expanded across the border to the US. Corporate buyers competing among themselves set the best possible market-prices producers can get, establish benchmarks for consolidators or intermediaries, and achieve alignment between what end-users need and what farmers produce.

By bringing attention to direct-sales, we are not suggesting that all grain-trades take that form across North America, but direct-channels impose market discipline on prices across the board. There are grain-companies that add value to the supply-chain by performing handling, consolidation, or processing functions as needed. But where corporate-buyers can reach producers directly, opportunistic traders are cut out from the grain-chains, leaving higher-margins for buyers and sellers to share.

These direct-sales channels do not naturally extend to overseas markets due to familiarity or information gaps. This is where we come in as an information-portal, bridging the gap by promoting the virtues of our grain-economy to attract overseas buyers to procure the crops they need directly from production-sources. This may not lead to one-click-sales, but at least it will go along way facilitating-trades by paving the road to contract negotiations among the parties we attract to our portal.

Specialization: As we emphasize in many of our articles, an unintended consequence of bulk-trading is limited crop variety. Despite our highly sectionalized bulk-systems, traders are driven by volume; more of the same crops are in their best interest, and they tend incentivize producers accordingly. This is evident from wheat and barley accounting for 75% of our exports, a much narrow range than what we produce; thus, trading in bulk puts a lid on the crop-diversity of our grain export portfolio.

By opening direct-sales channels, we will not only free producers from the margin squeeze they are under through bulk-channels, but also give them an opportunity to diversify to higher-value crops – grow and export a much greater variety of crops and grades. The main reason our current exports are so skewed to a few staples is not that the world does not need a greater variety, but because they do not have access to the full range of what we can produce and export in smaller quantities.

With all the advances in science and technology, we have the capacity to diversify our production much further with greater varieties of crops, higher grades of the varieties we are known for, and even special-crops with custom-attributes. Perhaps buyer-specifications can never be met to the same extent as in manufacturing, but *precision-farming* has already reached a level to be contemplating *grow-to-order* practices. This is what we see in the *value-driven-diversification* we are promoting.

Containerization: The diversification and specialization we foresee for the grain economy can never be realized through bulk-systems. Even if their custodians saw the virtues of these trades and shifted their attention to them, the basic bulk-system infrastructure is not equipped for these types of specialized grain-trades. The only way to realize this vision is through containerization, which we have the capacity for but so far did not see the need to put it to use in grain-trades, other than in pulses.

Now the time has come to introduce containers into other grain-trades, only if we could overcome our fixation that “bulk” is the most efficient and least cost transport option. In rail, per ton costs are equalized between hooper-cars and containers, and containerization eliminates the need for inland and coastal grain-terminals. On the ocean side, per ton shipping costs are already lower on containerhips than for even the largest bulk-vessels. Most significantly, buyers realize huge logistics and storage cost savings in containers, not to mention identity-preservation benefits.

We have been ignoring these realities and refusing to learn from other parts of the world that have already realized the virtues of containerization and advances made in intermodal-systems. If we care to look at grain-trades across the European Union, we will see the extent of containerization that has already taken place. This trend has also extended across Eurasian trade-routes to Asia Pacific. Most if not all grains China, world’s largest grain-importer, gets from its west is in containers. It will not be long before we see the same trend across the Pacific for our grain-exports.

XXVIII. Breaking loose from bulk-trades in the post-CWB era

We concluded our last article with a couple of pages on our three-pronged strategy: direct-sales, specialization, and containerization. Here we will take up direct-sales again, a fundamental pillar of our mission – what they are and how to pave the way for them in overseas export markets like in domestic and cross-border trades. They impose the necessary competitive market discipline where they exist, but in our overseas grain-exports bulk-trades still dominate even in the post-CWB era.

At the outset, let us make it abundantly clear that we have not invented the idea of producers selling direct – they already do it all the time. Most if not all are already engaged in it one way or another in what is sold to domestic markets and across the border to the US. Examples are widespread: wheat to flour mills, canola to crushing plants, oats to cereal companies, and the list goes on to include a significant share of what is already grown and sold through what we consider direct-sales. These sales channels benefit not only producers, but also buyers by cutting out intermediaries.

The next obvious question is, if these channels are mutually beneficial to both buyers and sellers, why they do not exist for overseas exports. Part of the reason is what we said in our last paper: while buyers and sellers are familiar with each other across North America, there is an information-gap between producers and overseas buyers. Also, producers are often conditioned to think that dealing with foreigners carries too much risk. The other part is that producers are accustomed to relying on bulk-trades since that is what they have always done, whether during or after the CWB.

Perhaps they do not need any convincing as they engage in these practices in their own backyard, but still, we keep coming back to the obvious, that there are huge benefits in shifting away from bulk-trades to direct-sales. These channels will not only yield higher margins but also allow diversification to specialty crops or grades that will fetch higher prices with even larger margins, thus better returns on land.

Like anything else in life, change brings challenges and risks, but they can all be managed through due-diligence and risk-mitigation. Even if perceived risks persist, there are export-insurance options, or insistence on irrevocable letters-of-credits, as well as deposits for grow-to-order contracts, not to mention advanced payments in full before anything is shipped. Thus, there are plenty options to cover trade-risks.

The real challenge is attracting overseas buyers to our region and exposing them to its virtues: the most advanced grain-growing region where they can procure a huge variety of quality crops to meet their needs directly from production sources. They can get those crops shipped to their doorsteps in containers with crop integrity intact, and as necessary identity-preserved. Once buyers step forward with serious intent to purchase, producers can judge whether it is worth considering what is in the offering and decide whether to walk away or enter further contract-negotiations.

Model we are striving for

Venturing into this portal, we had no delusions of having invented anything new or revolutionary; all we are trying to do is introduce a model that has been tried and tested in other domains, including domestic grain-trades, and thus should also work for overseas exports. This is a basic model built on *direct-sales* that tends to force markets to function more competitively, in the interests of buyers and sellers alike.

Basic Model: The grain industry is made up of numerous producers, farmers, and fewer but still a multitude of buyers – crushers, mills, processors, and others alike. Producers grow certain crops if market-prices are high enough to cover costs with reasonable returns on capital. Buyers pay those prices if they think they can make a profit in the next stage of production; if not, they look for other sources for those crops or switch to other crops. Perhaps a simplistic view, but direct transactions between producers and end-users facilitate markets to function more competitively.

It is natural to ask where the grain-companies fit into this model. The answer is simple: not all grains are ready to enter the supply-chain at farm-gates; they need cleaning, grading, and even processing, and this is where grain-companies can step in. When farming and transport-systems were primitive, grain-companies emerged to play consolidation, distribution, and trading functions, and as farms advanced and buyers developed their own capacities to procure and handle grains, the role of grain-companies changed but did not vanish. They extended their reach into various consolidation and processing functions, even into corporate or contract farming.

In the abstract this is how the grain-economy functions. Where possible, direct sales from farms to corporate-buyers set price benchmarks with no intermediaries, and where grain-companies are needed, they take their share for the value they add, but they do so in the knowledge that they can be cut out by buyers internalizing more functions, or producers doing more at their end. Where markets are effective, all players along the supply-chain get a fair share for the value they add. But markets do not always function effectively, as we saw in the past and observe even now.

Progress Made: In our last article we looked back on history to observe how WW1 had necessitated government intervention to protect producer interests. With the government pulling back prematurely, markets collapsed again forcing producers to take the matter into their own hands with the establishment of wheat-pools. When the *Great Depression* did the wheat-pools in, the government had to step back in to set up the *Canadian Wheat Board* (CWB), which became a permanent feature of our grain-economy in 1935 as a *monopsony*, a single-desk purchaser and marketer.

Membership was compulsory and the model was designed for producers to deliver their crops to country elevators where they were paid an advance, and during the year would receive the rest of what they were owed – their share of sales-proceeds

less CWB's costs. The system held together well for decades, but as in any collective-model, in time cracks started forming along different fault-lines: between producing and purchasing regions, across different crop segments, among producers of different persuasions, collectivists and individualist, with many shades in between.

With political pressure mounting from Eastern Canada as well as from advocates of commercial freedoms within Western Canada, the government relented and in 1972 clawed back CWB's monopsony to only non-feed wheat and barley, in both domestic and export trades. Feed and specialty crop producers felt liberated, but discontent prevailed among many wheat-barley producers, demanding their rights to opt out. Voluntary participation was an option but was likely to be blocked by a majority of producers. Thus, CWB's monopsony prevailed over wheat-barley for 40 more years.

These were only two crops but represented a huge share of our exports, as well as a significant share of our domestic trades. The only way to escape CWB's monopsony was diversifying to other crops, initially canola being the principal one. Wheat exports did not decline in volume but shrunk in share to 50%, while canola increased to half that volume with 25% share, with other crops taking up the remaining 25% – mainly peas, lentils, and soybean. Thus, considerable diversification was already taking place, even under CWB's monopsony, but not to the region's full potential.

Challenge Ahead: The efforts to disband the CWB had failed in 2006 but succeeded in 2011, with its monopsony coming to an end in 2012 but allowed to operate as a grain-company for 3 years. In 2015 it vanished as a separate entity with its assets taken over by a consortium of Saudi interests and a US grain-company. In the meantime, as we discussed in our last article, a tsunami of consolidation had already gotten underway with all the wheat-pools being corporatized and merging under Viterra, which soon after was taken over by Glencore, a global commodities giant.

Since 1972 domestic and cross-border grain-trades of non-board crops had evolved and expanded, along the lines of the competitive-model we described above. Direct corporate purchases set price-benchmarks for grain-companies to follow with the value-added services they provide, be it through consolidation, handling, or processing. With wheat and barley also freed from CWB's monopsony, market competition now rules over all our grain-trades domestically and across the border to the US. But this is little more than half of the grains produced across the Prairies.

Close to half our crop-output is destined to overseas, where a very different model prevails. CWB's abolishment was expected to give rise to a competitive model like in domestic and cross-border trades. But unlike these markets accessible directly by truck or rail, overseas exports were highly captive to bulk-systems that had now fallen into the control of a handful of private grain-companies, basically a *private-oligopsony* replacing CWB's *public-monopsony*. Instead of higher margins expected from private traders, producers came under an even tighter margin-squeeze.

Barriers in the way

In this new industry structure that has emerged in the post-CWB era, at least in the overseas export domain, producer interests are not served well. The captivity to bulk-systems, gateways to which are controlled by too few trading-interests, hinder crop-diversification, and squeeze producer-margins. But these conditions are not an outcome of open price-collusion among grain companies; they stem from the nature of bulk-systems that were privatized with no regard to competitive implications.

There is no point trying to break up the custodians of bulk-systems or to regulate the pricing of the bulk-systems themselves. Grain-trades can be made much more competitive by opening alternative channels to bulk-trading so that producers are not captive to bulk-systems. In our case, we are trying to do this through direct-sales, a practice that we know from experience can facilitate grain-markets to work more competitively, as we observe from our domestic and cross-border grain-trades.

Prevailing opinions: Decades long struggle to get rid of CWB was highly polarized. Opponents would not tolerate any government involvement in what crops they grew or how they sold them, and regardless of the outcome, they were not prepared to budge from their staunch stance on commercial freedom. Proponents, on the other hand, never wavered from the all-or-nothing position even when CWB's existence was threatened, not even willing to consider voluntary-membership options; we did not see any movement on this collectivist-tendency even after CWB was abolished.

Politicians, the ultimate arbitrators of what happens, are too scared to go anywhere near the topic because of this unwavering polarization in producer opinions. There was no middle-ground to be found 10-20 years ago, and they do not believe there is one today. The topic is too hot for any civil servant, federal or provincial, to touch in view of the prevailing political sensitivity. Even elected officials of grain-commissions or producer-associations are reluctant to talk about industry-models, preferring to hide behind price or yield trends, or much safer topics like agronomy or technology.

Neither our approach nor the path we are pursuing touches this debate, not by any design on our part to shun controversy but because we firmly believe direct-sales is the most practical path to value-driven-diversification, thus higher-margin exports. We are often asked by our social-media followers where we stand on CWB, but the truth of the matter is we are over that. Our model would not have worked before 1972 and even after that, only for non-board grains; but from where we stand, what we are pursuing is the most practical and effective path to prosperity for the Prairies.

Vested Interests: Most grain-companies have done well since 1972, first with the liberation of canola and its move to bulk-trades with rapidly growing volumes, and even better since 2012 with being able to trade in board-crops, particularly overseas

exports of wheat that constitutes half our export volumes. Naturally, if successful, we will be diverting trades away from bulk-systems, thus threatening their interests. But we would be happy to divert just the proceeds of yield increases in the coming years to containerized direct-sales channels, leaving bulk-volumes where they are.

Even if the success of our mission goes beyond that to significantly reduce bulk-trade volumes, we will not be issuing any apology-statements to grain-companies, as any shift in favor of direct-sales channels will be in the interests of producers. We would also note that the new trade domains we open present new business opportunities for the same grain-companies that today are primarily vested in bulk-systems. It will be up to them to cultivate new export opportunities to engage in containerized overseas trades, by adding value through consolidation, handling, or logistics.

We should note that there are already containerized crop domains, like the most lucrative segment of our grain-economy, pulses. However, you would note that the type of direct producer-to-buyer exports we talk about are not prevalent in this domain and not likely to change with our efforts. The grain-companies tend to dominate these trades as there are many processing needs at the export-end, and companies at the import-end are established distributors serving highly fragmented end markets – scope for direct-sales from producers to end-buyers are limited.

Information Gap: We are not deterred by any of the above prevailing attitudes or vested interests in pursuing our mission. We firmly believe that if we are there to serve producer interests, and producers believe in our cause, none of this could stand in our way, as producers are not only our platform's constituents but also the primary stakeholders of the grain-economy at large. Political or vested-interest resistance will only be a distraction, not a material barrier to our mission's success.

Neither the government nor the grain-companies can prevent producers from selling through direct-channels to domestic or export markets, as they do now not just within Canada but across the border to the US. But there is reluctance to engage in direct-sales to overseas markets due to perceived trade-risks and lack of adequate container-logistics services. Before even getting into these challenges, which we firmly believe can be overcome, there is the information or familiarity gap between the buyers and sellers that prevents even sales-contacts from getting established.

This latter problem is what needs to be addressed first. Unlike corporate buyers across North America, overseas importers know little about the production side of our grain economy, that there is a huge variety of crops that can be procured from farms – our grain-economy is known primarily if not exclusively for its bulk-exports. Also, our producers know too little about overseas export opportunities to even consider sales prospects, let alone target buyers. In our trade-facilitation mission, this *information-gap* is the first challenge we must tackle with our *core-strategy*.

Core of our strategy

In its early stages, our portal is meant to be an *information-portal* that kicks off an exchange of ideas among producers about the future of the Prairie grain-economy. The main driver motivating us to launch this initiative was that overseas exports were not performing as well for producers as domestic and cross-border sales; the margin-squeeze on producers was already a problem and was likely to get tighter. The salvation was in a *value-driven-diversification* strategy, and to this end, producers had to shift away from bulk-trades to direct-sales fulfilled in containers.

We have been delighted with the response from the producer community, with our following reaching levels far beyond our expectation – through website-visits, article-readings, as well as social-media participation. With this level of interest, now we consider the main thrust of our vision validated and are moving ahead with the next phase to lay down the foundations of our *trade-facilitation* platform. We described the “path” we are going to follow in our Article-XXV (posted on our website); here we want to expand on the core elements of the strategy that will chart this path.

Promotional Efforts: Across North American grain markets there is no information-gap: corporate-buyers know what crops they need and where to find them at source. Overseas buyers, on the other hand, know very little about our grain-economy. Most buy our grains from wholesalers or distributors at the end of bulk-trades without even being aware that they are buying *grown-in-Canada* grains, let alone that they can procure the same directly from actual production sources in quantities they need, shipped to their doorsteps in containers, with crop-integrity intact.

To this end, we have embarked on our *farm-profile* and *regional-profile* programs, to extol the virtues of our primary production sources, farming-enterprises, and the strengths they draw from the region’s research-capacity, advanced-technology, classification-systems, health-and-safety regulations, and quality-assurance programs. As we develop our *Prairie Grain Mall* platform, these virtues will be on visual display through *virtual stores and pavilions*. This will be a cutting-edge virtual stage with audio and visual features, a platform overseas buyers can visit online to get to know our grain-region, the crop-varieties it offers, and many other virtues.

We no doubt have the most diverse crop-base of all grain-regions around the world – huge variety of coarse-grains, oil-seeds, pulses, and other specialty-crops. What we produce for domestic markets is much more diverse than what we export, and our capacity goes even beyond that to specific crop-grades with special attributes buyers may be looking for. Together with our applied-agronomy and *precision-farming* capacities, combined with seed-varieties, farm-inputs and soil-conditions, Canadian Prairies are closer to rising to *grow-to-order* standards than any other region in the world – a capacity we will extol through our *Trade Mall* pavilions.

Market Research: We face yet another challenge: we know as little about global grain markets as overseas importers do about our grain economy. Putting so much reliance on bulk-exports for so long, our export strategy was simple: let farmers produce as much as they could, stock the surplus left from domestic consumption, and sell to the highest bidders on the world-stage. Market research was limited to following global crop-price trends, with a so-called strategy to sell when those prices peaked, with little effort to understand what the world was producing or consuming.

This became evident recently with the Russia-Ukraine war. We knew both sides were major grain producers and among our competitors in export markets. We had to learn from the USDA that Ukraine's exports might be down by 35% this year but were clueless about how this shortfall could be filled or its impacts on our exports. Even worse, we had been ignoring the entire Eurasian-belt extending all the way to the Pacific, and implications of yield-increases being achieved to our export position.

In finding new market opportunities, one would have thought, as the 5th largest grain exporter in the world, we would try to understand shifting global demand and supply patterns. For example, over a 20-year period to the late 2000s, our exports to China had increased more than 4-fold to become our largest export destination. All we seemed to know about China's grain needs was that China was importing more from us. To strive for an effective export strategy, we must shed this reckless negligence.

Channel Development: The above two, promotional-efforts and market-research, will constitute the main thrust of our efforts in the coming months, but our mandate will not end there. Though we do not expect to evolve into an electronic trading platform, *trade-facilitation* is our ultimate-goal. While we entice buyers to post purchase-intents, we will encourage producers (or producer-groups) to post crop-offers. Interactions between counter-parties are not likely to lead to one-click-sales online, but hopefully they will pave the way to further contract-negotiations.

As we described in our platform-development-path, we are also developing a *trade-facilitation* layer, which will sit on top of the *Prairie Grain Portal* platform. This layer will host the *purchase-intents* posted by buyers and crop-offers posted by producers with enough details to attract interest from each other. The parties can keep the posts online to attract competitive interest or take them private to pursue contract-negotiations – further involvement on our part will be up to the negotiating parties.

Until this structure becomes operational, which we do not expect before the end of 2022, we will be using the *trade-forum* on our current information-portal. In the coming weeks you will see changes introduced to this section to allow producers to post preliminary expressions of interest. In the meantime, we will leverage our Asia Pacific contacts, as well as findings of our market-research efforts, to attract buyers to the portal – currently the overseas reach of our portal is still very shallow.

Small steps you can take

Where producers sell their output varies greatly depending on their size, location, or crop-mix. But on average about half of what they produce ends up in domestic or cross-border markets, and the other half in overseas markets. A very large share of the latter, 85-90%, is consolidated through bulk-systems, which means they sell that portion to grain-companies. The residual may be containerized (like pulses) but still sold mostly to grain-companies, and a very small share to independent traders.

Of the other half that ends up in domestic or US markets, we know a sizeable chunk but do not know exactly how large, is sold through what we refer to as direct-sales channels. These may be flour-mills, crushing-plants, or feed-lots producers are familiar with and deliver to directly, or corporate-buyers that reach to them through procurement programs. These channels developed over time, since 1972 for most crops and since 2012 for wheat-barley, giving producers the freedom to sell direct.

In time our goal is to introduce these types of channels into overseas exports. But there are no direct-buyers nearby, and the ones who we would like to reach do not know much about the Prairies, and even less about our producers as procurement sources. Naturally, we need producer participation to promote their interests, and guide us select crop domains where we should focus our efforts. Also, we would like to start a dialogue on trade-risks producers fear might come with these channels.

Participation: In a fairly short time we developed a sizeable audience reading the articles we post and engaging in discussions on our social-media page. Clearly, there is interest in what we are trying to do, albeit with some reservations as one would expect in anything new that is going to directly affect participants' well-being. We firmly believe that what we are calling for is in producers' best interest, and we are delighted that the initiative has gotten underway with considerable attention.

A few months after our launch, we introduced the *farm-profile* program. Initially, there was some reluctance but in time more producers warmed up to the idea and started signing up to the program. This is a critical tool in our promotional arsenal in positioning production-units, farms, as primary procurement sources to attract overseas buyers. We would encourage everyone to sign up so that we can reach our 100+ target, a minimum threshold to migrate to our *Prairie Grain Mall* platform.

Another program we are going to initiate in the coming weeks is local-group discussions, which we hope will develop into *local-chapters*. We believe direct exchange of ideas between producers will not only galvanize support for our initiatives, but also ensure that we focus on producer needs. We also hope that through local-chapters we can foster cooperative-initiatives to demonstrate that larger crop-volumes can be consolidated to meet larger contract requirements.

Guidance: Now that we are over the conceptual stage of what we are trying to do, extending direct-sales that we engage in our own backyard to overseas markets, we must get more specific with the type of crop-sales we should be focusing on. We have some ideas in this regard, but much more importantly, we need guidance from producers: where they see the most promising crop diversification opportunities – higher value crops that their soil and growth conditions are most suitable for.

Let us start with a few ideas that we have already floated for consideration. We noted that wheat-flour trends are shifting across Asia Pacific, presenting prospects of containerized exports of special wheat grades. Breakfast-cereal demand is on the rise, like across North America many decades ago, presenting opportunities for a variety of cereal exports. Also, demand for all sorts of organic-grains is growing rapidly, albeit in smaller quantities but presenting a significant value proposition.

These are some raw ideas for consideration, but you as producers know best and can guide our priorities much more wisely. To facilitate exchange of ideas in this vein, we are restructuring and activating our *trade-forum* and invite you to participate. We will initially post some raw ideas, in the way of brief paragraphs to solicit your feedback and ask that you do the same. We hope this will trigger further exchanges, not only two-way but across all participants – a lively debate forum to participate.

Risk Assessment: From all angles – one-on-one discussions, the couple of virtual town-hall meetings held, and social-media comments – we get the impression that what worries producers most are increased trade-risks from direct-sales to overseas buyers. Naturally, local grain-company contracts that producers have relied on for years are going to look safer than new customers. But is a Japanese brewer or South Korean miller going to pose more trade-risk than an American cereal-producer?

We believe every risk-element should be identified and mitigated, but it is also a reality that all trades pose risk-reward trade-offs and generally the least risky trade tends to be the lowest margin one. There are also risks associated with bulk-trades, increasing competition from low-cost producers shrinking volumes and lowering prices. There are trade-insurance mechanisms, but also, in some ways specialization or diversification is “insurance” against squeezed margins from staple-crop exports.

Any way you look at trade-risks or risk-reward tradeoffs, the matter warrants further consideration. To this end, we have a couple more articles planned in the next month to address risk-related matters, how to assess trade-risks and mitigate them. Also, we will introduce another section to our *trade-forum* on these topics. We are finalizing its format, but it looks like the most suitable approach is for us to post brief (1–2-page) discussion pieces to open debate on specific issues, or remedies. There will be some cross-overs between different sections of the *trade-forum*, but all related and relevant to our mission – hope you will participate in all these debates.

XXIX. Responding to the turmoil in global grain markets

The core mission of our portal is to facilitate grain exports to overseas markets through direct-sales channels, from production sources to end-users. Most of our overseas exports, close to half of what we produce, go through bulk-channels. Based on long-established practices, producers have been conditioned to accept this as the most secure, if not the only way to export grains overseas. In many ways, they take it as a sort of *celestial dictum*, but we contend that there are much better ways.

In fact, direct-sales are prevalent in domestic and transborder grain-trades that make up the other half of what we produce. Corporate-purchases through direct-procurement channels set price-benchmarks for intermediaries to follow – grain companies that add value to supply-chains as well as opportunistic traders. This dynamic imposes the necessary discipline for grain markets to function competitively across North America, allowing producers to claim their fair share of trade-margins.

There is no reason not to strive for the same dynamic in overseas export-trades. We attribute the lack of direct-sales in this domain partly to the market power bulk-traders possess, but more importantly, to the *information-gap* between producers and overseas buyers. Our focus is on bridging this gap to facilitate direct-sales to overseas markets, which we believe could be done, diminishing the market power of bulk-trade interests without having to revert to any regulatory measures.

We have previously outlined a strategy to migrate our website, an *information-portal*, to a *trade-platform*. We started this with a series of farm and regional profiles that will be migrated to our new platform, *Prairie Grain Mall*, later this year with a *trade-facilitation* layer built into it. This core strategy has not changed, but now we are compelled to introduce an “interim-initiative” into our plans to respond to today’s global grain-market conditions and the market opportunities they present.

In view of these changing market conditions, we decided to modify our plans to try to create sales opportunities this year. We did not change anything that was already on our agenda but tightened up our plans to make them more results-oriented, before even launching our new platform later in the year. However, we are not betting on huge early results and will proceed with our core strategy regardless of what we achieve in the interim – thus, no fundamental change in strategy.

Here we start with a discussion on our global grain market outlook, which presents a promising window of opportunity. We then outline our efforts to kick-start direct trades, where we seek guidance and participation from producers. These trades will give rise to a volume-consolidation imperative, requiring more collaboration. Finally, we wrap up with the implications of this slight diversion from our original plans.

Grain-market outlook

Last year's harvest was drought-stricken, not as bad as the drought in 2002 but still resulting in much lower volumes to export. For very different reasons, actual export sales to mid-January were also much below the same time the year before – wheat 45%, durum 35%, and canola 40% – surprising to many industry-watchers but not to us. This was a natural outcome of complacency, taking bulk grain export volumes for granted and not paying enough attention to the yield increases being achieved in emerging grain regions, particularly in the vast territory stretching from Eastern Europe to Central Asia, a long-neglected region we had coined the *New Grain Belt*.

If these trends had not reversed, we would have been in trouble, with large carry-over stocks into this year. At the time, we did not think there was much hope on the horizon to clear these stocks before this year's harvest. But all that changed with the Russian invasion of Ukraine. Global markets went into turmoil, hiking up prices with even more increases on the horizon due to lower export volumes from Ukraine and Russia. Also, in fear of global grain-shortages, exaggerated in our view, a speculative hoarding-wave got underway. Thus, we entered a period of grain price inflation.

With extremely volatile weather conditions, drought in some areas while others still flooded, it is difficult to predict what this crop year is going to yield, but we expect that there will be more to export than last year, perhaps not as much as 2020 (51 MT) but higher than 2019 (41 MT). With the feared supply-shortfalls on the world stage, prices are almost certain to be favorable, thus it will be a good time to be exporting, as well as a good time to be introducing new export channels.

Looking out to the rest of this year and into next, the main beneficiaries of rising prices will be the custodians of our bulk-trades. They are sitting on unsold stocks from 2021-22 crop-year, and if the 2022-23 crop output is as we expect, there will be 45 MT more to export (after domestic consumption). Thus, grain-companies will have plenty to export into tight global markets at favorable prices, as both Ukrainian and Russian export volumes will be below normal levels – former due to lower output and clogged shipping channels, and latter due to trade sanctions or boycotts.

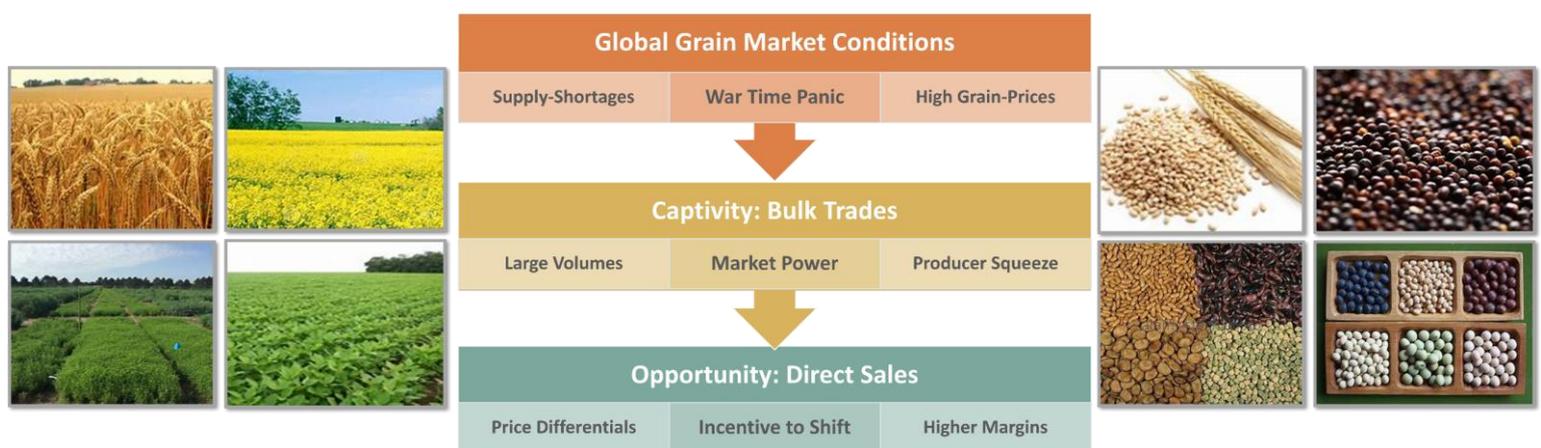
Whether these price rises will trickle down to producers or not, and in what share, are different matters. The grain companies that control bulk-trades are price takers from global-markets and will naturally realize higher revenues commensurate with rising global grain prices. On their carry-over stocks, which they would have paid last year's prices, they will enjoy windfall profits. On this year's crop-output, at least in theory, producers should receive higher prices commensurate with increases in global prices. Their actual share of export proceeds, however, will be dictated by market realities, not theory. In this regard, we should keep two factors in mind.

First, grain-companies hold more power over producers, derived from the control they have over the gateways to the bulk-system that producers are largely captive to in overseas exports – same argument we advance in postulating the margin-squeeze producers are under. The second factor to consider is differentials between export and domestic prices. In theory these should move in tandem, but in the short term there could be significant differentials. In North America we do not expect grain shortages of any kind, thus grain prices may lag global norms, at least for a while.

Our overseas exports are in a way a residual-category, surplus from what producers cannot sell into domestic and transborder markets. With the market power they hold, and in the absence of competing direct-sales channels, custodians of bulk-trades will have no reason to offer a penny more than producers can get from sales into North American markets. This in our opinion will motivate producers to explore alternative export channels outside bulk-trades; they can follow global price trends as well as anybody, with knowledge of what trickles down to their own accounts.

More than just global price increases at large, it was the anticipation of these price-differentials that motivated us to kick-start our trade-facilitation efforts at this juncture. We were going to wait for the introduction of our new platform, designed not just for promotional but also trade-facilitation purposes. But when global grain-markets were thrown into turmoil, we realized that there was a unique time-window to push for direct-sales channels that producers would be more motivated to try.

As we display in the exhibit below, our fundamental platform strategy has not changed – preparing individual-farm and regional-attribute profiles, migrating all these profiles to our new *Prairie Grain Mall* platform as virtual stores and pavilions, and adding a trade-facilitation layer to it. With the onset of the global grain-market turmoil, if not crisis, we realized we would miss a unique window when producers might be particularly motivated to try alternative export-channels. Thus, we introduced the “interim initiative”, not a diversion from our strategy, but an effort to jump-start trade-facilitation efforts with a focus on short-term results.



Our trade support role

It has been 50 years since all grains, but wheat and barley, were freed from CWB's monopsony, and 10 years since wheat and barley as well. But direct-sales channels to overseas markets have not materialized in any serious way, leading many to conclude that this was not in the nature of grain-trades. Contrary to this conclusion, however, direct sales were happening routinely in domestic and transborder trades.

Along the way, there were efforts to kick-start new channels, not among producer ranks, but by opportunistic trading interests trying to buy cheap from the farm end and sell with a profit to end buyers. This was the antithesis of "direct-sales" meant to cut out intermediaries and leave higher margins behind for producers. They were efforts to compete with already established grain-companies, which of course were doomed to fail without proper handling, logistics, and trading channels in place.

These efforts were not widespread, but with enough unscrupulous traders among them to leave a bad track record. For slightly higher prices, producers had to wait for payment to release a container load or two. Even worse, when they were paid for those, larger volumes were left in their bins ready to ship many more container-loads that the trader had promised to purchase but never did. Naturally, these were not viable sales channels to ever consider as alternatives to contract-sales.

We do not have any trading intentions whatsoever, let alone opportunistically. We are here to facilitate grain trades, to connect end-buyers and producers so they may enter trade-contracts without middlemen, other than value-add service-providers needed to fulfill orders. We have no plans to impose any fees or commissions on the trades we facilitate, as buyers or sellers that connect on our platform can take their contract negotiations off-line to conclude. We will only get involved on a fee-for-service basis if needed and asked for due-diligence or contract-support purposes.

We are here to serve producer interests but not altruistically. Like any internet platform, we will have revenue sources to tap through advertising, promotions, or contract services, be it market-research, project-management, or other fee-for-services. To this end, we must grow our audience, producers who can see the higher-margin export prospects through direct-sales, and similarly buyers who can see the benefits in procuring the crops they need from production sources.

Accordingly, we are determined to not just grow our audience like a social-media stage but as a value-add platform in generating actual trades. However, direct-sales volumes are not going to grow organically one container load at a time. We must pursue a strategy of sustainable contract-sales to achieve large trade-volumes that benefit both buyers and sellers, and for this, we need to develop a viable framework.

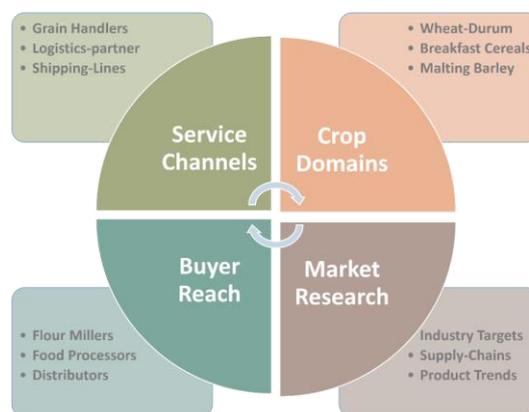
This will fall into place once we launch our *Prairie Grain Mall* with an additional *Trade-Facilitation* layer, but our latest plan is to try to facilitate trades in advance of this launch, at least bring them to a “prospective” stage, helping the new platform gain quick traction with signs of early trades. This slight course-diversion is also motivated by the global market conditions that the Russian invasion of Ukraine gave rise to – creating turmoil but also highly favorable conditions for exporters, with rising prices in fear of supply shortages. In the next 6 to 8 months, we will attend to the following tasks while also pursuing our platform-development efforts:

Crop domains: At these early stages, we do not believe it is wise to cast the net too widely to all crop-domains where we see potential for direct-sales. We have some ideas as to where to focus our early efforts to get results, which we touch in the next section, but more important than our ideas are suggestions coming from producers. They know their soil-conditions and growth-conditions best to guide our efforts more wisely to achieve quick results, perhaps even in time for this year’s harvest.

Market research: Once these priorities are determined, we will formulate a market-research strategy to better understand end-market conditions to target prospective buyers. These early market-research efforts – industry-structure and supply-chain studies – will require external funding until we start generating internal sources. We will lean on producers to mobilize support behind these fund-raising efforts, aimed at all relevant departments, agencies, institutions, associations, or commissions.

Buyer reach: In each of the selected crop-domains, buyers will be identified through market-research, in all cases targeting industry leaders with known grain-import needs. We will also rely on country representatives that we have already selected to suggest targets. To clarify, we are trying to avoid intermediaries, but at these early stages we will need help to open doors, as marketing advisers, not agents with territorial rights – our policies in this regard will be guided by producer-interests.

Service channels: Once we gain visibility into market opportunities we target, we will start formulating service-channel plans – cleaning, grading, processing, storage, and most importantly container supply. As we have indicated in the past, we do have tentative plans in this regard, through our start-up logistics partner or third-parties. Specific service arrangements cannot be finalized until crop types, grades and volumes gain clarity, but we know the challenges and how to tackle them.



Supply-side initiatives

In our previous articles we discussed the barriers that stand in the way of direct-sales channels in overseas export trades, in contrast to domestic and transborder trades where they formed more naturally. At the root of the problem is an *information-gap*. Overseas buyers know very little about our grain-economy, particularly primary-production sources, farms, where they can procure a huge variety of quality crops directly, and get those crops shipped to their doorsteps in container loads.

At the same time, our producers know very little about buyers in overseas markets. They are accustomed to selling to grain-companies, be it CWB in the past and now private ones; they do not even know who end-buyers are, let alone anything about their crop needs. Producers get price-signals from markets and contract-incentives from grain companies, make their production decisions accordingly, and part with their output at farm-gates or grain-elevators, with no idea of what happens beyond.

In the age of the Internet, building information-bridges has become a lot easier. Even if direct grain-sales may not lend themselves to one-click-solutions, a portal like ours can go a long way to connect buyers and sellers to pursue mutually beneficial trading relations, at least pave the way to contract-negotiations. As we know from domestic and transborder trades, these types of direct-sales benefit producers and buyers alike, by limiting the role of intermediaries to value-add services as needed.

We laid out our platform development plans in previous articles, how our current *information-portal* will be transformed into a *trading-platform*. To this end, we are building a virtual *Grain Mall*, which will be a “window” into the Prairies for overseas buyers to learn more about our grain-economy, and to connect with producers who can meet their needs, paving the way to contract-negotiations. As this initiative gets underway, there is a lot that can be done in the interim to kick-start the process.

The scope for direct sales is vast, not just what we already grow but also new crop grades or varieties that we can shift to if we can see evidence of demand from end-users. The shift from bulk-trades to direct-sales will not only increase producer margins in exiting trades, but also pave the way for what we call *value-driven-diversification* to elevate our grain-economy to a higher plateau. But at these early stages it is best to adopt a targeted approach, to avoid casting the net too widely.

To this end, we have tried to identify crop-domains where we see potential for immediate export prospects. This will help us concentrate our limited market-research resources, target prospective buyers, and initiate trade contacts, even before our *Grain Mall* platform becomes functional towards the end of this year. Below we take a first cut at a short-list of promising domains, but we want input from producers as they are in a much better position in prioritizing target domains.

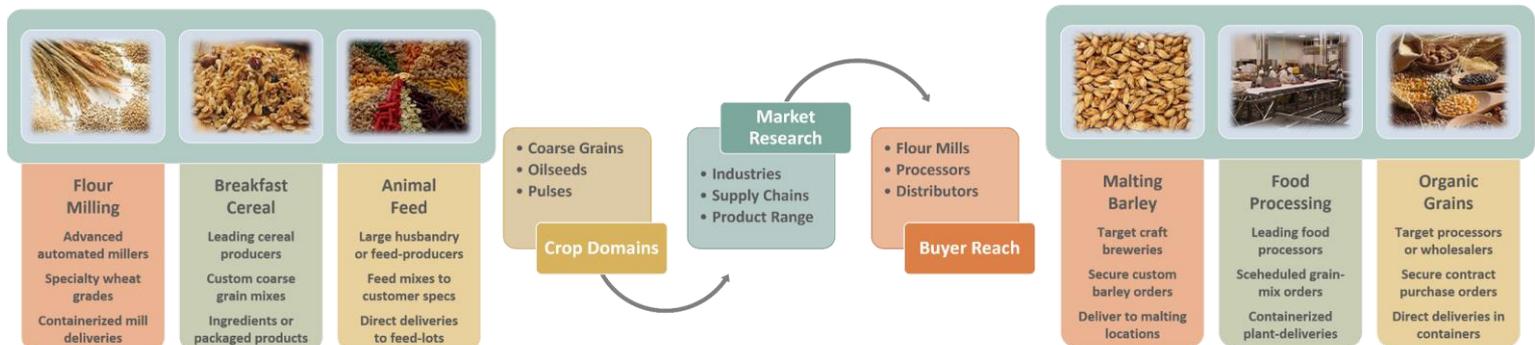
Wheat-flour: We always exported wheat in bulk, while European wheat-trades were becoming much more specialized and containerized. Now across Asia Pacific, flour markets are growing modestly but specializing rapidly, requiring much higher quality wheat grades. There is export potential for durum and other varieties, delivered directly to flour-mills in containers – large mills that need specialty wheat to achieve specific flour-attributes, or boutique-mills catering to niche markets, like in Europe.

Breakfast-cereals: Cereal products emerged more than a century ago, but since, the industry has gone through waves of transformation, eventually shifting to direct procurement practices. Now we have a rapidly growing market across Asia Pacific, with a population many times the US, presenting direct-sales prospects to leading cereal companies. Weather for oats, other cereals, or custom-mixes, we must take export opportunities seriously, with containerized deliveries to production-plants.

Malting-barley: Farms sell malting-barley to malting-plants directly across North America; overseas barley exports are modest but mostly in bulk and feed-grade. We have not paid much attention to brewing or malting trends across Asia Pacific, which is a much larger market, still in the process of restructuring and specializing, with brewers or distillers going upscale, and new trends like brew-pubs taking hold. There is growing demand for a variety of barley grades, delivered in containers.

Specialty-crops: We can cite many more crop-domains like these, but instead let us switch to specialty crops. We have made huge progress with soybean grades suitable to edible markets, much higher-value than major producers focus on, mainly for feed, but we are still only scratching the surface of the Asian market potential. Similarly, we have a variety of grains now in demand in Asia following vegetarian or vegan diets. Also, there is demand for organic-of-everything, but all these and other specialty-crops are traded in relatively small quantities, requiring containerization.

These are some examples we can cite but it would be foolish of us to prioritize crop choices based on our limited production knowledge of individual producers. To make market-research and buyer-targeting efforts more effective, we need guidance from all producers with an interest in pursuing direct-sales opportunities. You know your own soil and growth conditions and can guide our efforts much more wisely. To this end, we are ramping up our *trade-forum* to solicit ideas and suggestions at these early stages of trade-facilitation efforts – we hope that you will all participate.



Volume-consolidation imperatives

Some producers may be curious about what our mission is, and to this end may want to test our capacity, to see how we handle the logistics of exporting a small amount from their storage-bins and test how we perform. This is neither a fair test of our capacity, nor a focus of the business we are trying to build. Firstly, it is difficult to find overseas importers for these types of sporadic exports. If such opportunities come your way, they would be originating from an agent or an opportunistic trader.

Even if you are paid in advance, and all the export-logistics burden is on the agent, we can assure you that there will be difficulties. Even if we think we can help, we will be upfront with the challenges, the most important one being container-supply, not just finding one in the Prairies but also getting clearance for its release to the desired destination. In time, as our platform becomes fully functional, we will have a section focusing on these types of sales, but it will not be part of our core business – nor should producers put much stock to these types of one-off exports.

Our trade-facilitation focus is and will remain on *contract-sales* that can generate sustainable-volumes – as we said earlier, grain-trades to overseas markets cannot be developed one container at a time. There are thresholds that determine the viability of containerized-trades between given origin-destination pairs. Also, shipping-lines (SLs) are always concerned about sustainability of volumes over time. Their greatest nightmare would be containers getting stuck or delayed at origin, which would disrupt the flows across the ocean, their most important planning consideration.

We know that the empty containers returning from the West Coast can handle 10-15 million tons/year. All SLs operating across the Pacific are motivated to generate revenue-business, instead of repositioning empty containers on the other side (eastbound, head-haul on these routes) on their own account. For all of them the most important considerations are container-volumes and reliability of returns, and as evidence of both they need to see a convincing operational-plan. This is the only way to pull containers inland into the Prairies, working with SLs, not begging or incentivizing railways or port-authorities to increase inland container-supply.

In our tentative operational plan for this crop-year, 2022-23, to get the attention of SLs, we set minimum thresholds of 20-25 TEUs a week from each of the 5 major Prairie gateways – 100-125 containers/week or 100,000-125,000 tons/year. But more than the initial base-load, what interests SLs even more is our strategy to ramp up these volumes 10-fold within 2-3 years. At the growth rates we are forecasting, we can generate enough grain-exports to start turning these Trans-Pacific routes into “balanced” shipping-lanes, at least to/from Vancouver as well as Prince Rupert – SLs are willing to cooperate since they can relate to the viability of these projections.

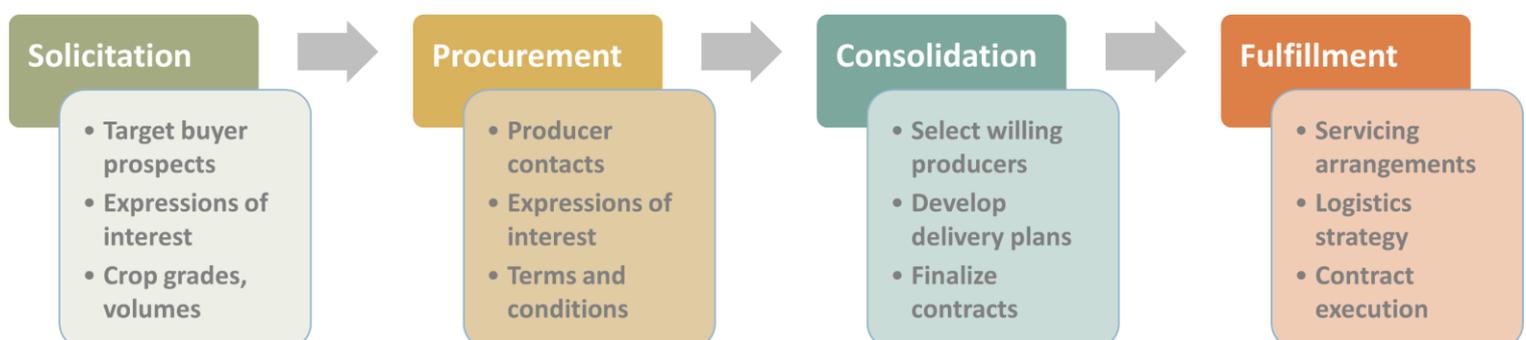
We are not grain-producers to achieve all this on our own; we need your help to accomplish our mission. Even the start-up volumes we are targeting from any one Prairie-center is 20,000-25,000 T, perhaps within reach of some of the largest farms, but no single farm is going to commit its entire output to any one containerized grain-export contract. We must work through multiple channels, and with multiple farms participating in any one channel – we believe this is ambitious but still feasible.

We identified the tasks we will shoulder in the next 6 months: selecting crop-domains, conducting market-research, and targeting prospective buyers for this initial phase. We will then turn our attention to how to consolidate the likely export volumes, to meet the contractual commitments if they were to materialize. In order not to introduce intermediaries, as they would be eating into contract margins, we will go back to the interested producers for another round for consultations.

We know “consolidation” or “collaboration” are not popular words these days in the Prairie farm-culture, thus we will do everything we can to streamline the process without imposing collective requirements or risks to individual producers. Let’s say we have a serious expression of interest for 10,000 T/year of durum, about 10 container-loads a week, and we are looking for 20 producers to take up 500 T each.

Obviously, commitment from each producer will depend on price, terms, and conditions, but we will post these details in our *Trade Forum*. Once we reach a quorum of producers interested in the opportunity, we will hold calls to discuss the details, together with requests for further due diligence into the buyer. Once we reach a tentative consent from the participating producers, we will put together a service-plan with cost estimates for all post farm-gate handling and logistics.

Once the buyer consents to the terms-and-conditions, we will proceed with the legal details, and hopefully finalize the contract with payment terms (cash or LOC). Some contracts will be smaller or larger, with fewer or more participants, less or more handling requirements, but in simple terms this is how the process will unfold. As we move to our *Trade Facilitation* platform, most of these efforts will shift online.



Recapping our expectations

As we tried to describe above, in view of the current turmoil global grain markets have been thrown into, we modified our plans somewhat by adding an interim step to our agenda: to generate early contract opportunities to take advantage of the current market conditions. But let us make it abundantly clear that this slight diversion is not going to distract us from our core mission. We will proceed with our development efforts to introduce our much-enhanced platform by year-end.

We have an ambitious plan to migrate our portal from its current state, basically an *information-portal*, to a *trade-facilitation-platform*. The center piece of this will be our *Prairie Grain Mall*, with *virtual-stores* and *virtual-pavilions*, a “window” into our grain-economy with all its virtues on display – production-sources, crop-variety, research-capacity, quality-assurance, grain-handling, logistics-capacity, and many other aspects that make the Canadian Prairies stand out on the global-stage.

Aside from all the region’s collective virtues, however, the most important elements are primary-production sources, farms, which we are trying to bring attention to through the *Grain Mall*. These are the hidden-treasures of our grain-economy where, if they knew more about them, overseas buyers would reach out to procure their grain needs. There is a huge variety of quality crops that can be bought directly from Prairie farms, and even ordered to be grown under contract with the desired attributes to meet specific end-user needs. But we must put all this across.

Accordingly, the main building blocks of our *Grain Mall* platform are *farm-profiles*, which we are in the process of preparing. Many producers have already stepped forward to participate in our farm-profile program, but we need many more to do justice to our region’s capacity. The plan is to migrate these profiles to the *Grain Mall* and display them as *virtual-stores*. This will not impose any further effort on participants, but we will need their consent to be displayed on the new platform.

Now we are introducing an interim step to our plans, not to distract us from our core-mission but to take advantage of the turmoil in global grain-markets. Primary beneficiaries of higher prices and volumes will be the established grain-companies through bulk-trades. But we felt there may also be opportunities through direct-sales channels, though they are not yet established. To this end, we formulated an interim strategy to kick-start trade-facilitation efforts through these new channels:

- Select promising crop domains where we see immediate export-prospects
- Conduct research into targeted end-markets focusing on selected domains
- Reach out to prospective corporate-buyers to solicit purchase-interests
- Establish service and logistics channels to fulfill early contract orders

Our efforts in this vein would greatly benefit from producer input, not by making any sales commitments or taking any trade-risks but participating in trade-facilitation efforts in advisory or consultative capacities. Through our *trade-forum* you can provide ideas or suggestions on what to focus on, participate in exploratory efforts, and when prospects crystalize, partake in contract negotiations and fulfillment:

- Lend guidance to prioritizing crop-domains to focus on
- Provide insights into your grain-stocks, now and post-harvest
- Participate in discovery efforts and contract-negotiations
- Partake in consolidation initiatives in fulfilling early contracts

We must confess that we embarked on this interim initiative with trepidation. With the *information-gap*, a real hindrance to the formation of direct-sales channels, still standing in the way, our reservations were warranted. Our solution is the new platform, *Trade Mall* with a trade-layer built into it, but we had no way of rushing its launch much before the year-end. Thus, we had to engage in a great deal of soul-searching whether to pass on the immediate opportunities or modify our approach.

The turmoil in global grain-markets and the export opportunities it presents could not be overlooked, not just to grain-companies through bulk-trades but also to producers through direct-sales. But the more compelling reason to proceed was the fact that the effort involved would not be wasted, in fact, it would help our transition to the new trade-facilitation platform. Thus, we had little to lose if we tampered our expectations for quick results. If we could facilitate contract sales, even modest ones, it would strengthen our hand in launching the new platform; if not, we would proceed as planned, with no collateral damage to worry about let alone suffer from.

The extra work-load we are choosing to take on in the coming months – crop-domain targeting, end-market research, and buyer reach-out – was already part of our agenda, but now we must make these efforts more results-oriented. This slight course-correction will necessitate even more producer participation, which we are confident will be forthcoming. What we are asking from producers will not just bring long-term benefits but immediate contract rewards. Even if sales prospects do not materialize right away, participating producers will gain real insights into the direct-sales process and see the potential for higher margins and diversification prospects.

In closing we want to reiterate a critical point, that the trade-facilitation process is collaborative in nature; we can't accomplish much without your input and guidance. Thus, we urge you to participate through our *trade-forum*, which we will activate shortly to support this "interim-initiative". In addition to guiding us through early discovery efforts, when you see a real potential, engage in contract discussions. We know that on top your worries are *trade-risks*, which is the topic of our next article.

XXX. Mystery of overseas direct-sales

Our mission is to open direct-sales channels to overseas export markets. These channels can not only provide higher-margins for producers, but also create further diversification opportunities to higher-value crops. Direct-sales channels are prevalent in domestic and transborder trades, but do not exist in overseas trades, which remain just as captive to the bulk-system just as they were in the CWB-era.

Plenty of explanations have been offered as to why direct-sales through corporate purchases are common in North America but unheard of in our exports to overseas. However, they often boil down to “myths” and “fallacies”, and when half of our grain output ends up overseas, we see this as a topic in need of further consideration. The prevailing view in this regard is that direct-sales to overseas markets entail too many trade-risks, thus our producers are urged to stay away from them in self-interest.

If true, this would undermine the essence of our mission, that the path to producer prosperity is through direct-sales. When we began our platform, we were aware of these widely held views, and believed them to be at best misguided, and at worst, self-serving misinformation propagated by today’s grain industry and its vested interests in bulk-trades, not producers. Here we try to debunk many of the myths and fallacies being used to explain away the obvious gap in our overseas exports.

We start with a discussion on the nature of our producers, cautious but not averse to change in self-interest. If they can see better prospects in direct-sales to overseas and figure out a way of dealing with the trade-risks, they will jump on them. What holds them back is that there are no buyers in sight to be trading with. This takes us to a major part of our mission, closing the *information-gap*, which lies at the heart of the problem – overseas buyers know very little about our producers or their virtues.

Then we turn to another problem that we must confront, all the misinformation that is propagated by vested interests -- claims that direct-sales to overseas are too risky for producers to even contemplate, let alone engage in them. We then turn to the trade-risks that direct-sales pose, which we believe can be managed and mitigated by selecting reputable and trustworthy buyers, and pursuing a diligent approach to contract negotiations to secure term-and-conditions to protect seller-interests.

Finally, we turn the guns on bulk-trades, where we see the real risks for the future of our grain economy. The industry has been oblivious to the increasing competition we face from emerging grain producers that are continuing to improve not only their yields but also quality standards from a much lower cost-base than ours. As a region, we are in denial, but our bulk exports are coming under increasing pressure, making diversification to higher value crops even more urgent. The shift to direct-sales channels may not be just a quest for higher margins but a necessity to survive.

Myth of producer resistance to change

Looking forward, we are calling for a paradigm-shift in the way we export grains to overseas markets. This is of great significance to the Prairie grain-economy, as about half of what we grow ends up in overseas markets. This share is likely to grow even larger into the future as we are still achieving yield-increases, thus output growth, while domestic grain consumption, even across North America, is relatively stable.

The shift we are calling for, away from bulk-trades to direct-sales, is value-driven – higher producer-margins from what we already export, and diversification prospects to higher-value crops. What we are calling for is by no means radical, not even new, as such direct-sales are prevalent in domestic and transborder trades, where the other half of what we produce goes. Then, why don't the same practices extend to overseas – are these trades inherently riskier, or are producers too risk-averse?

Before even getting into the overseas end, let us first look back on our own farm heritage to understand producers' attitudes to change; after all, they are the ones to decide whether to make a shift to direct-sales, or remain captive to bulk-trades. Historically, we cannot ignore the legacy of the CWB-era when producers were not exposed to market-risks. The public-monopsony shouldered all the marketing and sales responsibilities, while producers got an equalized share of the proceeds.

With the memories of two world-wars and the Great Depression, and the pains they had inflicted on the grain economy, CWB's legitimacy was hardly questioned, in fact its scope expanded in the post-WW2 era to the entire grain spectrum. As of the early 1970s, however, cracks started to form, as feed-grains and specialty crops were gradually dropped from the monopsony's net. But our single largest crop, wheat, together with non-feed barley, remained in the net until CWB's dissolution in 2012.

Over this 50-year unwinding period, producers' market exposure increased greatly as they diversified to so called non-board crops, while also taking on more trade-risks as they started to engage in direct-sales, be it to crushing-plants, food-processors, feed-lot, or others. They did not have these direct-sales options with wheat, which maintained its status as the largest volume crop in terms of both output and exports.

Over this period overseas exports more than doubled in volume but one thing did not change, the captivity to bulk-trades. Perhaps this is understandable for wheat, as it has only been a decade since its trades have been liberalized, but canola exports have been growing for decades, now as much as half of wheat exports, and still all in bulk. Together these crops account for 75% of our grain exports; with other crops in the mix, bulk-trades account for roughly 85% of our grain-exports. Most of the residual are pulses and specialty-crops that are exported in containers but again mostly through grain-companies, not direct-sales that we are trying to introduce.

This stark revelation raises fundamental questions about the feasibility of our core mission, with skeptics dismissing it as utopic, given that they have not taken hold in any serious way in the past. This reality has not escaped us, but there are no mysteries as to why this is the case and how to change the *status quo*. We will come back to the main obstacle next, but first let's try to understand producers' attitudes to change by reflecting on what they have gone through in the last half a century.

Producers are not all cut from the same cloth, but they all know what is in their best interest and can be extremely cautious. But we are intentionally not using the word *conservative*, not just to avoid political connotation but even its dictionary definition does not apply – averse to change or innovation. The track record of the last 50 years reveals the opposite: producers embracing scientific and technological change, diversifying to new crops, and even adapting to events like CWB's dissolution.

The producer community was sharply divided over the future of CWB towards the end, and to a lesser extent still is. Half, perhaps even more, wanted to retain the monopsony, but not because they were all die-hard collectivists; they believed CWB had served their interests well over their principal crop, wheat. But over the previous 3-4 decades, only a handful of them had opposed dropping feed-grains and specialty-crops (even canola being a niche crop back then) from CWB's monopsony.

The embrace of canola was not instant; it took time to accept the suitability of this oilseed to Prairie soil and growth conditions. The next wave with pulses, a true bonanza in terms value per acre, did not come instantly either. The last 50 years of crop diversification, often taken for granted or underestimated, is a clear testament to the producer community's willingness to adapt, but in a careful and cautious way, as any deviation from tradition may bring risks and/or unintended consequences.

Another shift to note was to direct-sales channels across North America. Producers embraced feed-grains being dropped from CWB's net, as they saw the prospects of selling them to feed-lots down the road, or to feed-companies that could distribute them more widely. Producers also saw that cereal companies could reach out to farms to buy oats or other cereal crops. They knew canola could be sold to nearby crushing-plants but exporting the same to overseas was a different matter.

When volumes ramped up with export potential, producers felt more comfortable selling canola to local grain-companies as there were neither any buyers knocking on their doors, nor any grade-differentiation potential not to consolidate in bulk. When wheat was freed, like canola, they turned to direct-sales in North American markets. They also saw the grade and quality differentiation potential to be selling direct to overseas markets, but there were no buyers around. And there lies the challenge, attracting credible buyers of wheat, as well as other crops, that producers would be comfortable doing business with on their own turf, not somebody else's overseas.

Main challenge: attracting buyers

The essence of the above story is simple: producers are not resistant to change, but they are wise and cautious, be it in switching to different crops or shifting to new sales-channels. With regards to crop diversification, the Prairie's record speaks for itself: there was always hesitation, or fear of new crops, but once that was overcome, producers jumped on canola, pulses, or other specialty-crops when they saw the market potential. With respect to sales-channels, the minute certain crops were freed from CWB's monopsony, producers started selling direct to end-users if the margins were better than what they got from grain traders or consolidators.

Many industry observers contend that producers are staying away from direct-sales to overseas markets because they find them inherently risky. Naturally, vested interests in grade-trades would like to perpetuate this assessment, and even some producers go along with it though they have no experience in this domain. The part we cannot relate to is how can anybody pass judgement on something that does not even exist – how can trades be deemed risky when there are no buyers in sight, let alone purchase offers on the table to be able to objectively assess their risks?

We can relate to some of the producer-perceptions as they are based on dealing with opportunistic traders looking for one-off deals, and often not following through with their purchase-offers. But we do not see any corporate buyers visiting the region to scout for serious procurement opportunities from primary-sources. Even if they pass by, all they can find are grain-companies that are focused on consolidating on their own account to export in bulk, with no desire to deal with corporate-buyers.

We have also observed this scene from the other end, living in Asia Pacific for more than a decade. Trade delegations come and go but mainly to extol the virtues of our staple crops, and how they are consolidated and shipped in bulk-vessels across the ocean. If the topic was pulses, you may see reference to containers, but still with no evidence of primary production sources, farms, where buyers could procure a huge variety of quality crops and get them shipped to their doorsteps in containers.

Given the bulk domination of our grain exports perhaps these promotional practices are not surprising, but what is surprising is how little effort we make to change the agenda to bring more visibility into our grain-economy. Most overseas end-users of our grains – millers, processors, or others – buy them through distributors, who in turn buy them from grain-companies at the receiving end of our bulk-trades. End buyers may not even know that the grains they process are *grown-in-Canada*, let alone know anything about their producers. Our farms are regarded as mere collection-points of bulk-systems, not actual primary production sources where end-users can reach out to buy the grains they need, even get them *grown-to-order*.

Let us contrast this warped view of our grain economy as seen from overseas, to what buyers and sellers at the end of our domestic or transborder trades did as those trades were freed from CWB's monopsony. Producers knew where the buyers were, and the buyers knew where the grains they needed were grown. It did not take long for trading relations between buyers and sellers to form, to negotiate and execute contracts; deliveries could be arranged by truck or rail as appropriate. Also, there were no barriers for the same direct-sales channels to form across the border.

How can these trade-linkages be formed between buyers and sellers that are an ocean apart? Intermodal systems are there to facilitate containerized trades, to replace shipments by truck or rail, but buyers need visibility into our grain economy and what it has to offer to the world. Only through a promotional "window" can interest be generated from corporate-buyers from all around the world to look at the Prairies as procurement grounds, not just the origin of grain-trades in bulk.

This is what our virtual *Grain Mall* platform is intended for. Prospective buyers can see what we have to offer right from primary production sources, our farms – among the most advanced in the world, offering a huge variety of crops for buyers to procure and get them to wherever they want in containers, with crop integrity intact, and as necessary identity-preserved. They can post purchase-requests that interested producers can respond to, all online, and if there is sufficient interest on the part of both buyers and sellers, they can proceed with contract negotiations.

This is how we intend to bridge the *information-gap* that currently holds back direct-sales channels from forming to overseas markets, like channels that formed with ease earlier in domestic and transborder markets where buyers and sellers were familiar with each other. Online acquaintances or interactions are not going to lead to instant sales, but at least parties will get to know what each other wants to form the basis for further discussions or negotiations. This open platform will also allow buyers to see what the options are, and the sellers to test the market for their crops.

The fact that certain market-channels do not exist is not a logical basis to conclude that there is no demand or supply for those channels. Markets do not form without "information", not a novel discovery on our part but a well-known fact. Historically trades used to get started through expeditions, how traders met, negotiated, and made fortunes. Now we have the Internet to connect people and pave the way for many new trades to emerge and flourish; all we need to do is look around us.

However, we refrain from characterizing our initiative as a trading-platform, as in essence it is a *trade-facilitation* platform. Unlike merchandise, stocks, or cryptocurrencies, grain-trades do not easily lend themselves to one-click-sales. All we hope to do is provide the online channels for buyers and sellers to connect, exchange information, and negotiate towards developing a contractual framework to trade.

Fear-mongering over trade-risks

Above we talked about the absurdity of claiming that there is no need for certain trades if they do not already exist, like direct-sales of grains to overseas markets. As we stated, many trades do not exist due to lack of connectivity between buyers and sellers, which in most cases is due to lack of information. Our initiative is aimed at providing an *information-bridge* between Canadian grain-producers and overseas-buyers, and thereby establishing connectivity between them to facilitate trades.

An even more absurd proposition is that certain trades, like the ones we are trying to facilitate, do not exist due to trade-risks. The absurdity of this claim is even more obvious: if buyers and sellers do not even know each other, let alone have ways to connect and negotiate, how can we possibly pass *a priori* judgement that trade-risks are too high? The answers can only lie with fear of the unknown or misinformation propagated by vested interests, those who stand to lose from new trading practices.

It is evident that most of our overseas grain-exports are captive to bulk-trades, 85% from the West Coast. The only crops that escape this captivity are pulses and specialty-crops that are exported in containers out of necessity, as they are not suitable to bulk-consolidation. We contend that there is much greater potential for containerization of those crops that are currently exported in bulk. What stands in the way is the lack of direct-sales channels, even though those channels could yield higher margins for producers, and diversification prospects to higher-value crops.

Bulk-trades are in the hands of a few grain-companies that have a vested interest in consolidating large volumes of staple-crops to move them through the bulk-systems, the gateways to which they have control over, individually or collectively. Unlike in the CWB era, producers are not legally captive to these grain-companies but there are too few of them to be engaging in aggressive price competition over what crops producers have for sale, at their own farm-gates or delivered to country-elevators.

This is by no means an illegal act of conspiracy among grain-companies, not even a sinister ploy to collude; it is a natural outcome of a highly concentrated, typically referred to as an *oligopolistic*, industry structure. A handful of grain companies came to control a bulk-system consisting of CWB and wheat-pool assets that were privatized with no regard to competitive implications for the grain-economy or its constituents, particularly the primary producers whose margins are squeezed.

To be objective, we also must remember that collectively producers were complicit in this outcome. Firstly, they voted for the corporatization of wheat-pools, which were provincially organized producer-cooperatives. Furthermore, as shareholders, they voted for the merger of three provincial wheat-pools and later the sale of the merged entity to a global commodity-giant. Also, the debate over CWB was far too

acrimonious to seriously consider more practical options like voluntary marketing boards, government or producer owned, which could have played a competitive role. Leaving those bygones aside, the grain industry structure ended up in what we have now, highly oligopolistic and one that does not serve producer interests well.

The theoretical solution may be breaking up grain companies, but this is neither very practical nor very effective. The root-cause of the problem is the bulk-system, the capacity of which a handful of grain companies share in different ways. Again, there is a theoretical solution, turning the system into a regulated public-utility, that all grain shippers have access to, but this is even less practical than breaking up grain-companies. Instead, our solution is simple: leave the existing bulk-system alone, and create more competitive channels, direct-sales for containerized grain-trades.

These channels are prevalent in domestic and transborder markets, imposing the market-discipline for grain-trades to function more competitively. What holds back these channels from forming in overseas trades is the *information-gap*, our core mission to bridge. But there is also a great deal of misinformation that comes from vested interests in grade-trades, causing misapprehension among producers. They hold back from even contemplating direct-sales to overseas in the fear that these types of sales are inherently too risky. This is another obstacle – mainly the fear of the unknown – we must overcome as we try to bridge the information-gap.

These fears arise from the procurement process grain-traders engage in. Purchasers focus on staple-crops that trade in large volumes, wheat and canola, with very small margins to bargain over – they are price-takers from global-markets and have very little to negotiate over purchase-prices. Their main interest is in enticing customers to grow more of the crops they are interested in, with advanced payments. They spend more effort dissuading producers from selling to domestic and transborder markets, where they know there is competition from corporate purchasers, as well as from switching to specialty-crops that can be exported through other channels.

Dissuasion often takes the form of talking about risks of alternative crops, in terms of both growth-risks and price-volatility. Though prominent corporate buyers are difficult to put down, there are always examples to cite from some industry corner about delayed payments or missed purchases to provoke distrust over direct sales. The argument always comes around to how local bulk grain traders can be trusted for large purchases, advanced payments, and reliability from one year to the next.

If a producer cites higher margins from specialty-crops or corporate-sales, their comeback is always: if you miss a payment on one truck or container load, it will set you back far more than lesser margins we offer. A salesman from bulk-trades will never miss a beat raising the risks associated with higher-margin trades, thus not surprising that direct-sales overseas are perceived too risky to even contemplate.

Identifying risks and dealing with them

Leaving the critics aside and coming back to our own turf, direct-sales to overseas, we do not deny that there are trade-risks – only fools would. The challenge is to identify and assess those trade-risks in a risk-reward framework grounded in the real-world, not in a jungle of vested-interests. Nothing in life, let alone commercial-trades, comes risk-free, but unlike proponents of bulk-trades who are in denial of the risks they themselves face, as we will come back to next, we are here to deal with them, to manage and mitigate them in a quest for higher producer-margins.

We take our kudos from experience, not rhetoric we hear from vested interests. The first challenge is attracting overseas buyers to our region, to deal with them on our own turf. Let them reveal what they need and put offers on the table, though in our case that may be online. Then producers themselves can scrutinize the credibility of both the buyers and their offers, assess the risks from their perspective, and decide whether to go through a contract negotiating process, or go on to another prospect.

Buyer selection: The first rule of the game is to avoid opportunistic traders; to avoid wasting time and facing the predictable risks down the road, focus on only credible corporate buyers. You will find that industry leaders from the Asia Pacific region are as sophisticated and honorable as those you deal with in North America; rotten ones can be identified as easily as the opportunistic-traders and dismissed. Sounds like a truism, but it is at this very early stage that you have the best chance to eliminate trade-risks; thus, proper due diligence into buyers' credibility is of huge importance.

Crop choices: Through direct-sales channels, diversification prospects may be as attractive as higher margins from what you already grow. But initially focus on the latter; the former may come later as you become more familiar with overseas buyers. There are just as many opportunities in our staple-crops to pursue through direct-channels – durum or other grades of wheat, malting barley, oats and other cereals, to name a few. For all these crops, you would have already eliminated the less desirable buyers upfront and would be dealing with credible industry leaders.

Competing buyers: Once you are into the process, with a prospective buyer at the table for a particular crop-trade, it is important to attract others to express interest to create a competitive dynamic. Bear in mind that we are reaching out to a large, diverse region; we can find competitors from the same, or across different countries. Having an expression of interest from one major flour-miller is going to get the attention of others; a malting barley initiative in one country is going to attract interest from other countries, while the same is going to be true for cereal-producers.

Order volumes: No single producer is going to be able to fulfill a viable contract order, and viability is defined as not just a one-time order for 10 containers, but the same volume sustained weekly throughout the year. This is how you are going to

attract the most credible corporate-buyers, with large and sustainable volumes. Thus, there is a consolidation-imperative, and it is best that you tackle this among fellow producers, rather than leaving it to the buyer to set the stage for you to compete among yourselves, a sure way of eating into each other's margins.

Payment terms: A credible buyer may be reluctant to put a large down-payment (unless it is in safe escrow) but is not going to shy away from paying for loads as they are ready to ship (cash transfer or secure LOC) with sample test results sent to them to ensure that they are getting what they are buying. This not unusual in foreign trades; you can ignore any fears being stoked otherwise. If a buyer wants to lock down what you expect from an upcoming harvest, down-payments can also be requested; if they do not follow through, you will have the option to sell to others.

Legal scrutiny: Rather than relying on informal contracts, you must seek legal counsel to deal with contract details, be it over delivery/payment terms or quality-standards defined by Canadian regulations (most advanced and trusted in the world), with a formal authority designated to arbitrate if necessary. When in doubt about buyer's intentions or credibility, it would not be unusual to ask for an escrow deposit. All contracts should have dispute-resolution provisions, drawn up under Canadian jurisdiction, with the buyer represented by Canadian counsel as well.

Export insurance: Regulations dictate that all shipments go through CGC-licensed grain-exporters, an onerous requirement but likely to be loosened with direct-sales becoming common place. In the meantime, you must ensure EDC export-insurance eligibility. There may also be complications at the import-end, particularly in sticky or unreliable jurisdictions, which you no doubt will be receiving legal advice on, but you must ensure that you are paid in full before any export load leaves Canada – any risk in this regard should be the importer's responsibility, built into your contract.

This is a brief overview of the contract process that we are sure experts much more qualified than us can guide you on legal and regulatory details. We do not see the trade-risks the same way as others might, or those with vested interests claim. The process is straightforward and if you are diligent with buyer selection and contract details to ensure compensation before you ship, there is little to worry about other than where to sell what might be leftover in the event of a contract-breakdown.

Naturally, you are not going to go through this process if you can get a similar price from a grain-company that you can deliver to down the road. There must be a material price difference to be enticed to go through this, but the so-called trade-risks associated with contracts with foreign buyers are blown out of proportion. We do not see a difference between selling to a US company and one in Japan or South Korea, other than the fact that shipments to the latter go in containers and take a bit longer. If you have concerns over doing business with other countries in Asia Pacific, including our largest grain-export destination, China, you can stay away from them.

Risks posed by bulk-exports

Our mission to reduce producers' captivity to bulk-trades was primarily motivated by a two-prong reality: their margins were being squeezed, and diversification potential to higher value crops being held back. But there was yet another, more serious concern looming in the background: the bulk-trades that producers were captive to were facing increasing risks in global grain markets. We raised this matter in several articles, but perhaps we have not paid as much attention to it as it warrants.

Overseas exports are of critical importance to the Prairie grain economy. About half of what we produce is consumed domestically or exported to the US, and the other half to overseas, but these two halves have very different dynamics. The first half consists of mostly domestic trades (about 90%) with a smaller transborder share (about 10%). These two sides of the first half are part of the highly integrated North American economy, where grain-trades are competitively guided by market forces.

Demand for grains in North America has been growing, but only modestly, while our production has been increasing much faster, driven by yield increases. So far, our overseas exports have been growing to absorb the surplus, roughly doubling in 25 years. But at the supply end, unlike in manufacturing where output can be curtailed to overall demand, in the grain economy output is driven differently. The land area is fixed, but output grows as yields increase, driven by scientific and technological advances – farmers grow as much as they can in the hope of selling all they produce.

Until now we have been lucky, and the world has needed ever more quantities of grains; we have been able to sell our surplus at good enough prices not to worry about what we could not consume at home and had to export overseas. We have been taking this for granted, paying little attention to global production and consumption trends, believing that we could increase our export volumes without adjusting our production levels, or to where and how we exported our grain surplus.

A striking example of our complacency over our export position is the China-factor. The US used to be our largest grain-export market, 20% of what we exported. In just two decades, from the mid-1990s to mid-2010s, China took that position with 20% of a much larger total export volume, accounting for roughly two-thirds of our export growth over that period. We paid little attention to why China was importing so much more; all we knew was that they were buying more. Our trade-relations with China soured for different reasons, but China was shifting to other grain sources.

There was a huge region to its west, what we coined *The New Grain Belt*, stretching from Ukraine to Kazakhstan, across Central Asia and Russia to the north. Leveraging *Belt-and-Road Initiatives*, China was investing in rail-systems, road-networks, irrigation-projects, and providing expertise to revive agriculture in this region to

meet its grain needs. More land was being put to grain-production, while achieving not just yield increases but also crop-quality improvements. This was going to put our exports in jeopardy, not only to China but also to the entire Asia Pacific region.

We had been terribly concerned about these and many other developments around the world that were likely to threaten our bulk-exports. In fact, our outlook going into 2022 was quite concerning, and we feared it would likely turn even scarier in time. Little attention was being paid to export sales in January, believing that our stock levels were safe, particularly with the drought effect from the previous year. Even with lower stocks, actual export-sales to mid-January were down significantly from the same time the year before – wheat down 40%, durum 35%, canola 45%.

We thought that only a miracle could save us, but in the end, it was a tragedy that did, the Russian invasion of Ukraine, throwing grain markets into panic with prices rising in fear of shortages. But naturally we cannot be sinister enough to expect wars to save us from disasters every year. We must pay attention to the vulnerability of our bulk-exports to competition from emerging regions, as both their yields and quality-standards increase. We cannot hope to compete from a much higher cost-base. Our only salvation is in diversifying to higher-value crops, which in turn will dictate a shift from bulk to direct-sales that can only be fulfilled in containers.

Our complacency in this vein is also fueled by the similar position the US is in, just as dependent on bulk-exports with an even less diversified export portfolio than ours – three crops (corn, soybean, and wheat) accounting 90% of its exports, compared to two crops (wheat and canola) 75% of ours. The US produces 6-times more grains than we do but its exports are only 4-times higher, thus while we export half of what we produce, the US only quarter. Our grain-export-volume to GDP ratio is three times higher than US – thus our economy is much more dependent on grain exports.

Let's look at the dark scenario of tightening grain prices under competition from emerging regions. Our grain traders are price-takers from global markets, but they have the market power to squeeze producers even more than the hit they get from global markets. We observe that producer-margins are already too thin; for many, they are inadequate to cover costs, let alone provide return on their capital tied in land, facilities, and equipment. Any further margin-squeeze will threaten them with insolvency, thus making large segments of our farm economy simply unviable.

In most of our articles we approach our mission with emphasis on “pull” factors: higher-margins and diversification-prospects from direct-sales. But as we discussed above, there is also a “push” factor to consider: the threats that our bulk exports face in global markets. Perhaps this will further motivate producers to take direct-sales channels more seriously, and even give bulk-traders a cause to also consider paying more attention to higher-value specialty-crops to be exported in containers.

LOOKING AHEAD

In the coming months we will press ahead with our *core-mission* with the same vigor as we have shown since the launch of our portal last Fall. Our *Farm-Profile* program and *Platform-Development* efforts will continue, still with the hope of introducing our new *Trade-Facilitation* platform before the end of this year, at least in the form of an advanced prototype for use by Prairie producers and overseas buyers alike.

In this coming quarter, you will see a slight course-correction in our efforts. Instead of weekly article-posts, we will switch to a bi-weekly schedule, 2 or 3 articles every month, mostly focused on trade-risks and logistics-challenges. Resources we save from writing articles will be devoted to the *Trade-Forum* and *Social-Media*. If funds become available for market-research, we have other standby resources to tap into.

Contract Facilitation: Recently we introduced an *interim-initiative* into our agenda: early contract-facilitation efforts to take advantage of prevailing global grain market conditions. As discussed in Article #29, this is a move on our part to capitalize on a short-term “window” to kick start direct-sales channels. This will not distract us from our development efforts to introduce the new platform by the end of this year, but will give us a chance to test the markets, though with modest expectations.

Russia-Ukraine War has thrown grain-markets into frenzy, prices skyrocketing with panic-buying in fear of supply-shortages. But more than general price inflation, we see an opportunity behind North American grain-prices lagging global trends. Bulk-traders are likely to try to buy at these low prices to capitalize on higher margins in world-markets, in turn giving producers an added incentive to reach out to export markets directly – thus, a short-term window to kick-start direct-sales initiatives.

Rather than taking an opportunistic path ridden with trade-risks, we intend to pursue a cautious approach: focusing on select crop-domains and targeting reputable corporate-buyers. We will avoid one-off-sales that may hold the promise of higher-margins but also bring too many trade and fulfillment risks. We will stick to contract-sales that are sustainable with long-term growth prospects – no point starting our mission on a wrong-footing that will only hurt us in the long-term.

Trade Forum: We are now restructuring the *Trade Forum* on our portal (so far dormant) to kick-start this contract-facilitation process. This will be an early attempt to get the ball rolling, what we label our *interim-initiative*, but with a clear path to fold into our new platform structure. First, we will solicit producer input in selecting promising crop-domains, as we do not want to cast our net too widely at these early stages – we made some suggestion in this regard but will follow producer advice.

Second, we will ask participating producers to give us some visibility into their post-harvest stocks in each of the crop varieties we select. We know this is a sensitive issue, and nobody would want to publish this type of data, but this is very important in targeting buyers and bringing them to the table; thus, we offer a compromise. We are proposing to assemble and display only aggregate crop volumes, keeping the sources confidential, but remain open to any other suggestions producers may have.

Third, we will reach out to prospective buyers to post expressions of interest in the type of crops that may be available for direct-sales. Until this stage, there will not be any commitments from producers, price or volume wise. It will be up to them to agree to connect with prospective buyers and pursue contract negotiations; we will be available to participate in these discussions in advisory capacities, but only if asked. To make it clear again, we have no commission interest in any trade we facilitate.

Social Media: We will try to drive interest and participation in our *Trade Forum* through social-media, like we do in promoting our article-posts. Over the last 9 months, we found that the most conducive platform for our mission is Facebook, where we have a *Prairie Grain Portal* page, with close to 100 dedicated members and 100s more followers who react to or comment on our posts. We will use this already established stage to get trade related discussions going on various topics.

We will make our intentions clear on Facebook: attract interest and participation in our *Trade Forum* with the hope of facilitating direct-sales contracts in the crop-domains that we select, in consultation with or on the advice of producers. Once our *Trade Forum* discussions gain momentum and we have clear indications of interest, we will initiate Facebook posts targeted at the initial corporate-buyers we have in mind across the Asia Pacific region – hopefully we'll get there in a few months.

We will notify our Facebook followers once we have our prototype *Trade Forum* activated. We have a dedicated resource to manage both ends, who will not miss a beat on either in the way of producer comments or suggestions. Both sides of the debate will be fluid and dynamic, changing and adapting to ideas coming from our followers – we are committed to making this structure work, but we hope you realize that nothing can be accomplished without collaboration on your part.

*In the above couple pages, we tried to outline our interim-initiative, **contract-facilitation**, that will take place on the **Trade Forum** on our portal but driven by our **Facebook-page**. Now let us also briefly outline the articles we plan to post in the next couple of months, less frequently than before but still 2-3 every month. We will select the topics or themes that will shed light on our interim contract-facilitation efforts, but here let us cite two that are on top of producers' concerns: **Trade Risks** (perceived or real) and **Logistics Challenges** (grain-handling and container-supply).*

Trade Risk Perceptions: In Article #30 we talked about trade-risks associated with direct-sales to overseas markets. This is partly due to fear-mongering on the part of grain companies who have a vested-interest in buying what they can to consolidate in bulk, rather than see anything sold directly to end-users, in North American or overseas markets. But also, there is a fear-of-the-unknown on the part of producers who have no experience in or familiarity with selling direct to overseas buyers.

There is nothing we can do, or care to do about the fear-mongering aspect, but we can deal with producer-fears over selling directly to overseas importers, if they are reputable corporate entities. We addressed this in our last article, how to negotiate contracts that ensure payment in advance of releasing shipments, a routine trading-practice between contracting parties from different legal jurisdictions, at least until they develop the necessary trust in each other to have more flexible arrangements.

We will continue to deal with these matters concerning direct-sales, which are commonplace in domestic and transborder grain-trades but not to overseas. The only difference between overseas exports and sales across North America is that the latter are executed through truck or rail deliveries, while the former involve containers, not a material difference. All other trade-risks can be dealt with through contractual remedies, and the residual-risks covered through export-insurance.

Logistics Challenges: Most grains require handling – cleaning, grading, even further processing – before they are delivered to end-users. Grain companies that are into bulk-consolidation often take these chores on, but we also know that direct-sales are common in domestic and transborder trades and require similar handling functions. Again, either the buyers take these functions on, or service-providers get involved to shoulder them, or producers set up the necessary facilities on their own properties.

What is so different in direct-sales to overseas? The buyers are far removed from production-sources to get involved in grain handling; these chores are going to fall on sellers to arrange on their own premises or through third-party service-providers. Also, these sales are going to be containerized, requiring container-loading, and in most cases also bagging, which are simple enough chores to be added to the grain-handling to-do-list. But none of these can be regarded impediments to direct-sales.

The container-supply challenge is a matter that requires close attention, but as we claim in many of our writings, is not something that cannot be overcome, provided volumes are there and lead-logistics-providers work closely with the shipping-lines to pull containers inland and ensure their timely return to port locations. We tried to deal with these challenges in previous posts, but perhaps too generally to convince producers that they are not insurmountable problems. We will be paying more attention to these issues in upcoming articles with more operational details.