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:

<u>Farm Profiles:</u> 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.

<u>Regional Profile:</u> 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.

<u>Virtual Grain Mall:</u> 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.

<u>Country Profiles:</u> 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.

<u>Consumption Trends:</u> 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).

<u>Supply-Chain Analysis:</u> 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

China Factor
- World's second largest grain-producer after US
- Fastest growing grain-importer, now largest

New GrainBelt
- Emerging region with rapid yield increases
- Formidable competition to existing exporters

Indonesia Philippines Thailand Vietnam

European Union
- Highly diversified and integrated trade-block
- Containerized trade-channels and flows

United States
- Dependent on bulk-exports of staples
- But potential to switch to direct-channels

A platform to connect buyers and sellers

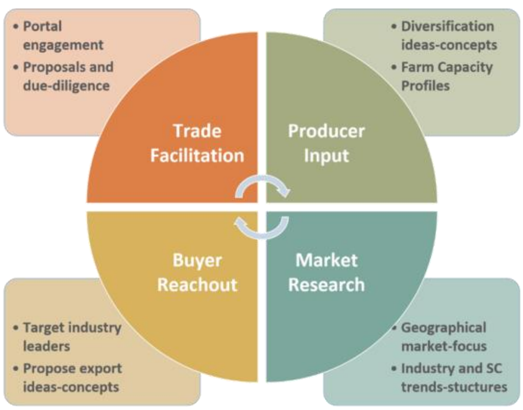
The end game is not just identifying end-buyers in export markets but attracting those buyers to our region with the intention of procuring the grains they need directly from our production sources. But at the same time, we must mobilize our producers to respond to these export opportunities. Trade facilitation 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:

<u>Trade Forum:</u> 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).

<u>Sales/Purchase Inquiries:</u> 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.

<u>Contract Support:</u> 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.

<u>Producers:</u> 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.

<u>Associations:</u> 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.

<u>Research Institutes:</u> 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.

<u>Government Agencies:</u> 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.

<u>Corporate Sponsors:</u> 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.