

## RESEARCH — NEEDS AND CAPACITY

**Dr. Roger Buckland**, of the *Canadian Agri-Food Research Council*, on a study initiated by a number of industry stakeholders that is currently underway.

The "Study of the Needs and Capacity of Canada's Poultry Sector in Research, Education and Technology Transfer," in addition to determining the needs and capacity of Canada's poultry industry, examines how Canada can best use its financial, human and physical resources in these areas. The study was carried out in three phases: Phase 1: information collection through three questionnaires — general, research and education; Phase 2: Workshop presentation of questionnaire findings and discussion of key issues; and Phase 3: final report and recommendations. Government funding for poultry research has decreased from \$4 million in 1986 to \$800,000 in 1998. Farm gate receipts for beef are \$5.2 billion a year and poultry is \$2.1 billion, but beef receives \$15 million in funding. This large discrepancy was one of the motivating factors for designing and executing the study.

## COMMUNICATING RISK

**Dr. Douglas Powell**, from the University of Guelph and co-author of *Mad Cows and Mother's Milk* on a look at the foods we eat, food safety risks, and the risks they in turn pose to the Canadian poultry industry.

*Risk communication is serious business — failures can be costly.* The financial cost of the BSE crisis in the U.K. is currently pegged at some \$5 billion, a cost which could have been substantially reduced with more effective risk management and communication practices.

*Regulators and industry are responsible for effective risk communication.*

*If you are responsible, communicate early and often.* Timeliness is everything in effective risk communication: overcoming entrenched perceptions that are broadly dispersed in the social environment is a thankless task with almost no chance of succeeding. Further, good risk communication at the early stage is of little benefit if it is not also done as often and as long as needed to prevent a risk issue from being put into play by other interested parties.

*There is always more to a risk issue than what science says.* Public perceptions, values and opinion all enter into characterizations of risk.

The components for managing the stigma associated with any food safety issue involve all of the following factors:

- effective and rapid surveillance systems;
- effective communication about the nature of risk;
- a credible, open and responsive regulatory system;
- demonstrable efforts to reduce levels of uncertainty and risk; and,
- evidence that actions match words.

## SANITARY ISSUES AFFECTING TRADE

**Debra Bryanton**, Director of the *Technical Market Access Division of the International Affairs Directorate, Canadian Food Inspection Agency*, on our rights and obligations under various trade agreements with respect to sanitary and phytosanitary (SPS) issues. Measures must be:

- based on scientific principles and scientific evidence;
- applied only to the extent necessary to protect health;
- transparent — not designed to disguise restriction on trade; and
- based on international standards.

If disease can be contained within a region, then other regions can continue to export. Some of the issues and future pressures the government will be facing during the next round of WTO talks include:

- guidelines on consistency;
- SPS agreement implementation;
- transparency;
- biotechnology;
- animal welfare (expected to be an important issue);
- consumer preference; and
- production processes and methods.

## INTERNATIONAL TRADE 101

**David Fardy**, V.P. Sales and Marketing for *Cavendish Foods*, on statistics and tips on success in exporting:

- Be totally committed to exporting — the whole organization must be behind the endeavor.
- Realize that results will take time.
- Do your research. Learn about and understand each country's business and consumer cultures and local/niche needs.
- Have a clear business plan — with risk and benefit analysis.
- Determine what product adjustments may be necessary, including packaging.
- Always follow the regulations of your target country.
- Ensure you have the cash flow required to sustain your endeavor.
- Earn your customer's trust by following sound business practices.
- Always provide value, in product and service, to your customer — this is what will drive your exports and your success.

# Shaping the Odds

## 3<sup>RD</sup>

## POULTRY MEAT OUTLOOK CONFERENCE

NOVEMBER 17 AND 18, 1998 — OTTAWA



The goal of the 3<sup>rd</sup> Poultry Meat Outlook Conference — *Shaping the Odds* — was to provide participants with information and new ideas that will be of practical use to them in their businesses. Speakers covered topics ranging from the economic outlook, to Canada's agri-food investment strategy, to their personal exporting experiences.



Chicken Farmers  
of Canada



Canadian Poultry  
and Egg Processors  
Council



Canadian Turkey  
Marketing  
Agency

fppac

Further Poultry  
Processors Association  
of Canada



National Farm  
Products Council

**Joe McGuire**, *Parliamentary Secretary to the Minister of Agriculture and Agri-Food*, expressed the government's commitment to the poultry sector.

At the next round of the WTO negotiations, Canada will be looking to strengthen trading rules and reduce export subsidies while protecting import-sensitive sectors like the poultry industry. The government is consulting and working closely with this sector to develop a collaborative position that contains "no surprises," and is looking forward to entering these talks from a strong position.

## WORLD ECONOMIC OUTLOOK

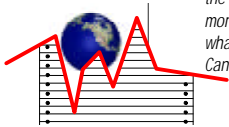
**Richard Egelton**, *Deputy Chief Economist with the Bank of Montreal*, on his view of world economies along with predictions for the future.

While Asia recently experienced the results of bad debts and a fragile banking system, the worst of the crisis seems to be behind us. Provided China can maintain its current growth, a slow recovery in Asia is probable. The story in South America is similar but these economies should improve after the year 2000. In Europe, things are fairly stable with a forecast for modest growth. The U.S. continues to be the bright star, with all the fundamentals still strong. Predictions are for low unemployment to cause inflation to rise to a manageable 3%, causing higher interest rates by the fall of 1999. This will presumably strengthen the U.S. dollar again, and increase the U.S. trade deficit, forcing interest rates down and increasing growth in the American economy to about 3% in the year 2000.

Canada's economy will not be so strong, but a recession is not expected here either. Weaker commodity prices and higher interest rates will slow our economy. However, the Canadian dollar's recent depreciation will temper the impact. Growth will remain sluggish (about 2%) in 1999. Factors affecting our economy include increasing interest rates, the U.S. economy, emerging economies (Asia and Latin America), and commodity prices. Inflation is expected to stay "extraordinarily" low, with any rise a result of the low dollar. With no improvements in commodity prices expected in the short term, a 65-cent dollar will be needed to maintain exports. Unemployment is expected to rise by about 1%. A buoyant economy is expected in Ontario and Alberta, while a continued slowdown and under-performance in British Columbia is predicted, due to BC's connection to Asian markets (33% of BC exports are to Asia).

*"What is happening in the world will more and more have an effect on what is happening in Canada."*

Richard Egelton  
Deputy Chief Economist  
Bank of Montreal



## Shaping the Odds



## INVESTMENT IN AGRI-FOOD

**Denise Boudrias**, *Assistant Deputy Minister, Agriculture and Agri-Food Canada*, on the government's agri-food investment strategy.



The Canadian Agri-Food Marketing Council's targets for 2005 are to achieve a 4% share of the value of global agriculture and agri-food export sales; and to increase the proportion of Canadian value-added agri-food exports from the current 40% to at least 60%.

The federal and provincial governments are committed to supporting the industry in its desire to achieve these targets, and believe that increasing both domestic and foreign investment is critical to success. The federal government's Five Point Investment Strategy as it relates to the agri-food sector:

1. Ensure an attractive business climate.
2. Emphasize the importance of multinational enterprises.
3. Assist small- and medium-sized enterprises.
4. Promote Canada.
5. Form partnerships.



**Doug Mutch**, *Executive Director and CEO of the Canada Grains Council*, on our capacity to feed the world.

Even though the world's population has doubled over the past 45 years, new farming methods and technologies have increased our production efficiencies and enabled us to meet the demand. We must now take this North American approach and transfer this knowledge and technology to the fields of Asia and Eastern Europe. In the coming years, biotechnology will play an important role in further increasing our efficiencies, yields and capacity. With this new science, we will continue to have the ability to increase food production.

We must also ensure that there is "effective demand" for the products we produce, and realize that to be "effective" there must be the ability to pay. The Canadian poultry industry is well-positioned to compete in world markets, with new and improved value-added products.

**Linda Robbins**, *Senior Markets Analyst with Agriculture and Agri-Food Canada*, on consumer demographics, food and food preparation trends and statistics, as well as differences between Canadian and U.S. consumers.



U.S. consumers reach for the "home meal replacement," whereas the Canadian consumer looks for "ingredient solutions" — the components of a meal that can be easily "assembled" and quickly cooked at home. Poultry products fit these requirements quite well.

Chicken accounts for over 80% of all fresh/frozen poultry purchases, and consumer demand is expected to remain strong. However, Canadians perceive turkey as a "festive meat," and marketers need to overcome this if consumption levels are to increase.

Niche markets are increasingly important as the Canadian population become less homogeneous, and key opportunities exist for Canadian poultry products which are specifically designed for and targeted to the growing senior and ethnic populations.

## RISK MANAGEMENT

**Dr. Larry Martin**, *Director of Economic Research, George Morris Centre*, on "hedging", managing risk through trading futures and options — protecting yourself against the instability of costs.

He uses a producer, a processor and a further processor to illustrate different approaches and reasons for hedging. The panel discussion with Fred Lewis, Tom Oegema and Lem Janes showed hedging in different lights, from how hedging against changes in grain prices can play a vital role in managing input costs, especially feed, to how price fluctuations can be managed through a combination of farm diversification and at-gate marketing, to how hedging in the U.S.-Canada dollar market worked farther down the chain.

- Dr. Martin provided a quick list of the "pros and cons" of hedging:
- Hedging with futures will provide better protection when the price is up.
  - Hedging with futures is very costly when prices are down.
  - Hedging with options limits gains, but also limits losses. It is just like insurance.
  - Hedging will never be perfect because of changing rates of exchange.
  - Hedging the commodities leaves exchange rate risk.

Both the presentation and the panel discussion made it clear that hedging is appropriate in certain sectors, but not necessarily the way to go for everyone. "If you need a little more stress in your life, give him a call."