

**The Winston Churchill Memorial
Trust of Australia
Report by David Matthews
2001 Churchill Fellow**

The Kondinin Whittington Churchill Fellowship

To study ways for grain growers and their communities to increase long term viability through increased participation in ex- farmgate functions, direct involvement in plant variety and new crop development and to seek other methods of capital retention for rural areas using the Community Bank success as a model.

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1. Acknowledgments.

I would like to sincerely thank the family of the late Barry Whittington and particularly Mrs. Marlene Whittington, The Kondinin Group and The Winston Churchill Memorial Trust of Australia for providing the opportunity to participate in this Churchill Fellowship.

I would also like to thank my wife, business partner and friend, Sam, and our children Dominique and Campbell, for tolerating an absentee spouse and father over the past months.

I hope my endeavours make some contribution to the grain growers and rural communities of Australia.

2. Foreword.

As the economies of the world's developed nations evolve from commodity based to technology and service based, people involved in agricultural production (farmers) have become increasingly isolated.

Terms of trade have tightened, leading to larger production units and a corresponding decline in rural population. This in turn has meant the farm sector has less political relevance and an overall feeling of pessimism, and at times hopelessness, has emerged amongst many farmers and farm communities.

This situation is exacerbated as younger people and professionals from rural areas seek out the advantages of urban living. Reaction from those remaining is seen in occasional political unrest, but more often, a quiet acceptance of a lower standard of living.

However, there is a growing realization amongst many rural people that they can take some control over their farm businesses and rural communities. If they are willing to use their imagination and take some measured risks they can re-define and re-build their enterprises.

These people are learning to “Use Business To Achieve Positive Social Change”

3. Executive Summary.

3.1 Contact details:

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Occupation: Farmer and principal in a grain processing and marketing business

3. Executive Summary (cont.)

3.2 Project Description:

To study ways for grain growers and their communities to increase long term viability through increased participation in ex-farmgate functions, direct involvement in plant variety and new crop development and to seek other methods of capital retention for rural areas using the Community Bank success as a model.

Stage 1:	Canada	March 27 to April 25, 2001
Stage 2:	Europe	September 21 to October 17, 2001

3. Executive Summary (cont.)

3.3 Summary and Recommendations

It is highly likely that broadacre grain production will continue to be a very tough business.

Lack of real commitment by the USA and Europe to remove agriculture subsidies, increasing grain production by countries such as Brazil, Ukraine and China, an inability to pay by countries that do have food shortages and the potential for environmental concerns to impact intensive production systems will all put continued pressure on the profitability of Australian grain producers.

If grain growers and their communities are to survive there needs to be co-operative action by three key groups.

1. The Growers.

Farmers and their families need to accept there are some fundamental changes occurring in their industry. Agriculture is no longer King of the economy and as a result farmers are becoming less important in the eyes of the urban community and politically.

In addition, much of the value of our farm produce goes towards paying for the ex-farmgate functions. That is, the transport, handling, processing, marketing and retailing. The portion finding its way back to the farm is a decreasing percentage of the overall value.

However, the opportunity is there for farmers to participate in these ex-farmgate functions. Farmers grow the product. They have first point of control and so are able to **move along the value chain** and derive profit from some of the other functions. They **can** develop the skills and knowledge to achieve this.

2. The Grain Industry Representative Bodies.

Organizations such as The National Farmers Federation and its state affiliates can contribute by re-asserting the relevance of agriculture, not only to urban people, but also to farmers themselves. Many farmers suffer from an enormous cringe. "I am just a farmer" is still a common response when asked about their occupation.

But farming is largely about the supply of food and increasingly, the supply of safe, healthy food is a priority for the people of affluent nations. So we need to change the language from the rather generic "farmer" to something that makes it clear that **"we supply your food."**

3. Governments.

Federal, State and Local Governments need to encourage policies and practices that will reverse the capital drain away from rural areas and stimulate investment in industries that can be successfully established in these areas and may even compliment existing industry.

Food processing is the obvious example. Value adding food products at the production source usually makes economic sense as well as having a positive effect on the local economy. The added benefit is the improved communication between supplier (farmer) and the processor. In many cases the suppliers may even be investors in the processing operation. This is already beginning to happen in the grains industry and favourable Government policy settings will drive the trend further.

The establishment of **Rural Enterprise Zones** with lower company tax rates and **tax based incentives** for people investing in target industries would encourage the investment required.

4. Background.

The fundamental assumption made in the preparation and presentation of this report is the desirability of maintaining rural and regional populations in Australia.

Australia is already one of the most urbanized countries in the world, with over 80% of the population living within 100 kms of the coast and the majority of these people living around the 5 major cities.

The declining profitability of the main agricultural industries, wool and wheat, has led to a harsh "rationalization " of these industries. With many people choosing to or being forced to sell their properties, rural populations are shrinking, reducing the demand for other services, which in turn become less viable. And so the spiral continues.

4.1 Subsidies to Agriculture

Some countries, such as the USA, Japan and those in the European Union, choose to support their farmers with extensive subsidy programs. Whilst it may be desirable and even admirable the taxpayers of these countries pay to maintain their rural communities, a direct consequence of the subsidy programs is the distortion caused to world trade.

Farmers in largely unsubsidized countries like Australia find it very difficult to compete against the massive resources of these foreign governments. In the grains industry, productivity improvements over the last decade are amongst the highest of all Australian industries, yet profitability and return on capital invested remains marginal for many growers.

Against this background it is clear individual farmers, and communities dependent on agriculture, need to re-invent themselves if they are to have a strong and prosperous future.

Key Points

- Agricultural subsidy programs in the USA, EU and many other nations will continue indefinitely.
- For many nations the subsidy programs are as much about social policy (keeping regional populations and infrastructure intact) as they are about trade. They are also becoming an important part of environmental policy; farmers paid to be custodians of the land.
- Australian producers competing for world market share in commodities such as wheat, canola and barley will need to be very efficient and be supported by an equally efficient storage, handling and transport sector.
- For some growers there will be benefit in moving away from the "commodity trade" towards **specialty crop production**. High value human consumption crops like lentils, chickpeas, culinary beans, marrowfat peas, fenugreek and condiment mustards provide opportunities to diversify.
- Specialty crop production often leads to grower groups and regionally based companies becoming **directly involved in the processing and marketing** of these products (c.w. commodity trade being dominated by large urban based companies).

4.2 The Language of Agriculture

Farmers have generally been poor "salesmen" for their industry. For generations we have talked down the profitability of farming and talked up its problems, probably in an effort to gain a sympathetic hearing from Government. As a result, the urban population of Australia largely sees farming as a sunset industry

that lurches from one natural disaster to another and always has its hand out for Government support. Even worse, we have, perhaps unintentionally, influenced most young people to ignore agriculture as a potential career.

But if we re-define agriculture as essentially being about the supply of food, it suddenly becomes relevant to everyone in society. Farmers see more importance in what they are doing when they realize someone will eat the products they grow. Students see more career opportunities, from research and production to processing, logistics management and marketing. And the public is reminded that agriculture is still a very important part of the Australian economy.

Key Points

- There is a need to "re-brand" agriculture in the eyes of the Australian community.

- There are three target groups;

Farmers - so that we develop more self-esteem, take pride in what we do and learn to have a customer focus.

Students - to highlight the exciting opportunities available to them in agriculture.

Consumers - to remind them that agriculture- the supply of safe and healthy food - is still relevant to their lives and to the Australian economy.

- This re-branding will require a national publicity campaign. Organizations such as The National Farmers Federation and the Grains Research and Development Corporation have the capacity to lead such a campaign.

4.3 Beyond The Farm Gate

Grain growers have traditionally passed on control of their product at the farm gate or the closest delivery point. We have then relied on Statutory Marketing Authorities and semi-government grain handling organizations to manage the crop. As a consequence, growers have often been unaware of the eventual use of their grain. We have not known who the consumers were and what were their needs. As growers, we have not had a customer focus.

The transformation of the statutory marketing and handling organizations to more commercial entities provides both opportunities and dangers for grain growers. The opportunities come in the form of direct share ownership in the new companies. If the companies are well managed this should provide an income stream, in the form of capital growth and dividends, from the investment in the ex-farmgate marketing and handling functions. These new organizations are also building grower awareness of market requirements. The sliding scale pricing structures of AWB Ltd., combined with well-targeted education campaigns, are effective ways of communicating to growers the needs of our eventual customers.

The dangers come in the potential conflict between the needs of the shareholders of these companies and the needs of the grower suppliers. Companies are bound to act on behalf of their shareholders and whilst most companies try to enjoy a good relationship with their suppliers, there is a need to keep the cost of supply down in order to maximize shareholder value. Keeping the balance will be an important challenge for these new companies.

Non-regulated and specialty crops provide many exciting opportunities for farmers and regional businesses. As well as being potentially very profitable to grow, these crops are well suited to an integrated supply chain where the producers are involved in the chain right through to the consumer. The producer knows exactly who their customer is and what they want.

The producer is able to respond to the customer's needs, increasing the value of the product to that customer which in turn increases the likely returns to the producer.

In the Wimmera region of Victoria a booming pulse industry, crops such as chickpeas, lentils, broad beans and field peas, has allowed the development of a number of secondary and service industries. There are now businesses processing, marketing and exporting these pulses, businesses handling the segregated storage and businesses managing the container shipments. Many of these businesses are owned and managed by growers, providing those growers with an additional income stream and providing new employment opportunities for the people of that region.

Key Points

- The introduction of non-regulated and specialty crops are a major driver of regional development.
- The people who grow the food need to understand the needs of the people who eat the food.
- The people who grow the food can exercise their first point of control and participate further along the value chain.
- The participation can be relatively passive, for example via share ownership in AWB Ltd. or ABB Grain, or very active via a direct involvement in the downstream business.
- Growers **do** have the capacity to learn how to run these businesses. They shouldn't "leave it to someone else".

4.4 Research and Development

The grains industry in Australia has demonstrated its commitment to research through the strong support given to the Grains Research and Development Corporation (GRDC). This investment, combined with the public sector support of research institutes, has allowed the productivity growth required to keep the Australian grains industry internationally competitive despite the subsidy programs operating in many competitor nations.

But the public sector support to agricultural research is diminishing. The private sector is becoming more involved, particularly in areas such as commercialization of crops. And whilst the investment by the private sector is welcome it does create some new issues for growers. Royalties on seed purchased, end point royalties on crop produced and restrictions on where that crop can be marketed will become a common aspect of the industry. Growers will need to be aware of the Plant Breeders Rights and Intellectual Property responsibilities that come with their seed purchases. In some cases the growers will not have title to the crop they grow. They will be paid a fee for their work in producing a crop but never own that crop.

The need to get a return on the research dollar spent will put pressure on companies to market their products aggressively to growers. Organizations like the Kondinin Group in Western Australia and the Birchip Cropping Group in Victoria will become even more important sources of independent information. These groups can verify the findings of private research and disseminate that information to growers.

Research into many of the specialty crops is likely to be driven by smaller companies and growers. The potential size of each of these crops is probably not sufficient to attract investment from large companies and public research institutes. But collectively these crops can be very beneficial to many growers and as previously indicated, can create many downstream opportunities for growers and regional communities.

Key points

- Grain growers need to continue their strong support of R & D.
- It is vital GRDC continues to represent growers interests throughout the crop commercialization process.
- Growers can drive the development of new crops through direct participation in production trials and market research.

4.5 Capital Retention and Investment

The success of the Community Banking concept is breathing new life into many communities. Not only does it secure banking services for these communities, it also provides a renewable revenue stream for them, returning a significant part of the profits of banking activity to the people whose custom generated that profit.

Innovative ideas like Community Banking and the Regional Development Fund, introduced by the Bendigo Bank, help stem the capital drain away from rural areas. But overall, investment dollars are not finding their way to rural Australia and there is a widening gap between the opportunities available to urban people and the opportunities available to rural people. If the Federal Government is serious about re-building rural Australia it needs to send a very clear signal to those people making the business investment decisions. And the clearest signals to business can be delivered through the taxation system.

Many countries seek investment by offering attractive tax arrangements. The states of Australia compete for investment by offering tax-based incentives. Similarly, rural areas could attract significant investment if the "Enterprise Zone", or at least some industries within that zone, had favoured tax treatment. Industries targeted would be industries that have a high chance of on-going commercial viability. Clearly, industries that are adding value to

produce grown in the zone fit that description.

Key Points

- Rural decline will continue without strong leadership from Government.
- But once given an opportunity to create business success, rural areas can once again prosper and provide an even greater contribution to the Australian economy.
- The new rural economy will be more diverse, not solely reliant on the production of commodities, but with a focus on providing a wide range of foodstuffs to consumers all around the world.

5. Conclusion

The grains industry in Australia has moved a long way from the days when the wheat crop was predominantly one grade, "Fair Average Quality".

World grain markets are becoming more precise in their demands for particular grain types and specifications. Competition for market share is intense from low cost developing nations and from nations whose governments subsidize agricultural production. Australian growers are faced with tightening terms of trade and rapid change at almost every level of their industry, from production technology to a complex marketplace for their grain. Many farmers have not been able to adjust to these changes and have left the industry. Grain farming is no longer a relaxed way of life. Grain farming is a very competitive business.

But there are also many farmers who are determined to make the adjustment. The farmers of the future will be well trained. They will clearly understand their business strengths and weaknesses. They will exploit their strengths and overcome their weaknesses. They will identify and pursue the many new opportunities being created by a more diverse marketplace. They will play an active role in taking their products to the consumer.

And together with Government and business groups, they will restore pride and prosperity to Rural Australia.

6. Appendix

Churchill Fellowship – Meeting Summaries

Canada; March - April, 2001
Europe; September - October, 2001

Sydney

Tues, March 27

XCAN (Australia)

Troy Lyon

Profile:

XCAN are a large Canadian trading company, based in Winnipeg but with offices around the world.

They are technically a grower co-op, being 100% owned by Agricore. The Saskatchewan Wheat Pool recently sold their interest in XCAN.

In Australia they are a large canola trader including trade of 1000mt per month of non-GM canola into Japan in containers.

Also trade barley and special crops such as buckwheat, pulses and safflower.

Interested in WGCo buying on their behalf and managing storage and logistics.

CANADA

British Columbia

- Vancouver Island

Friday, March 30

Supermarket Audit in Courtenay (Population 40,000)

Display of pulses similar to that in Australian supermarkets.

More shelf space dedicated to the various types of canned beans, especially white beans (Haricots) with pork, tomato, etc

Dry pulses in similar packs as Ward McKenzie use in Australia.

Canned pulses-

Primo Foods (Ontario)

Western Family (British Columbia)

Lentil soup

Legume soup

Garbanzo beans (chick peas)

White beans (haricots)

Fava beans (foul mudammas)

Dry pulses-

Western Family

Large Canadian Green Lentils

Split red lentils (imported)

Lima beans

Small White beans

Red Kidney beans

Pinto beans

No du-puy type lentils for sale.

Saturday, March 31

John Stewart Dean Emeritus of Agriculture

John was Dean of Agriculture at the University of Saskatchewan and has retired to Saltspring Island. He was able to suggest a number of contacts in Saskatchewan.

- **Murray Fulton**, Head of Ag Economics
Director Centre for Co-operative Development
- **Hartley Furtan**, Prof. Ag Economics
Ex Deputy Minister in Saskatchewan govt. (Dept. head)
Author of book "Policy of Change"
- **George Lee**, Liaison between industry and govt.
- **Estey Research Centre**, Western Canadian Development (Check internet site)
- **Bert van der Berg**, and
- **Graham Scoles**, both with the Crop Development Centre.
- **Alan McHughen**, Biotech researcher and author

Other suggested organizations included

- Saskatchewan Dept Ag & Food
- Saskatchewan Wheat Pool
- Plant Biotech Institute
- Ag Canada Director - Ashley O'Sullivan

Alberta

Very wealthy province, deriving royalties from mineral deposits
Strong tourism sector

- **Edmonton**

(Population. approx 800,000)
Large university
Base for oil & gas companies

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Wed, April 4

**Bosch Kitchen Centre
Lockert Distributors**

**9766- 51 Avenue
Edmonton, Alberta
Canada T6E 0A6**

Barbara & Tim Lockert

Profile:

Retail kitchen equipment including domestic grain mills etc
Retail food ingredients including many grains and spices
Buy in bulk (say 20kg) & bag into retail size
“Health food shop” approach with many organic products

Products:

- Wheats Hard red
 Soft white
 Durum

- Pearl barley

- Oats, de-hulled

- Triticale, de-hulled

- Beans(CA\$/KG) org = organic; Lima, Baby Lima(4.40), Kidney(3.65), Great Northern(4.40), Azuki(4.40), Soy(1.85), Mung(org 7.00), Cranberry(7.25), Fava(5.50), Chili(2.99), Calypso(org 16.00), Black eye(4.13), Black Turtle(4.07), Anasazi(org 12.00), Appaloose(11.00), Navy(3.00), Pink Flamingo(9.00), Pinto(9.00), Rattlesnake(9.45), Romano(2.75), Soldier(org 10.33), Yellow Eye(org 12.00)
- Also Garbanzo (Chick peas) approx 12MM 3.75/kg

- Other seeds; Buckwheat(4.30), Alfalfa(17.50), Radish(13.30), Broccoli(139.50), Quinoa (org 7.70), Amaranth (org 7.15), Millet (2.65), Kamut (org 4.00), Golden Flax (org 5.50), Brown Flax (3.60), Corriander, Jalapeno, Sunflower, Sesame.

Food Processing Development Centre

**6309 – 45 Street
Leduc, Alberta
Canada T9E 7C5**

Kevin Swallow Food Scientist

Profile:

Food research facility working closely with industry
Funded by the provincial government
Acts as an incubator for food product development

Staff from the centre work with private clients on all aspects of food product development
The client pays for approx 1/3 of the cost of their work
The centre works with large and small businesses
Services include sensory testing, package development, extraction of desired components from grains, and work with meat products

Examples of work

Extraction of Vitamin E from oats and barley
Protein and starch extraction from peas; pea butter
Mungbean noodles
Starch for paper manufacture (US uses corn starch)
Rapeseed for industrial use
Wheat starch for ethanol

Most impressive was the extensive array of food manufacturing equipment; mills, extruders, mixers, steamers, ovens, frying line, meat processing line, etc
Client's staff work in the facility with the centre's staff and produce commercial quantities of the food product. The day I visited a client was doing a batch of dim sims, with around 15 staff employed by him working under supervision of the centre.
Once the technique is fine-tuned the clients are expected to build their own production line. But they have had the advantage of getting their product into the marketplace without a big up-front capital cost.

Recommendation

Facilities like BRI in Sydney and Food Science in Werribee need to be accessible to small companies as well. There needs to be a "business incubator" for developing food companies.

Saskatchewan

Main grain province with total population 1,000,000 but static or maybe declining
Rail network being closed or sold off. Two operators on major lines; CN and C&P. Smaller companies operate branch lines but the majors appear to be non co-operative with supply of rail cars and track space etc.

Access to sidings vital in deregulated rail market

Many grain elevators also being closed and sometimes knocked down
People leaving for higher paid jobs in wealthier provinces such as Alberta.

- **Saskatoon**
(Population approx 200,000)

Thurs, April 5

University of Saskatchewan

Hosted by Prof. Robin Morrall - School of Agriculture

Profile:

University of Saskatchewan dominates the city; approx 19,000 students
Very strong research and industry precinct around the university
Agriculture faculty still strong and well funded

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Friday, April 6

Prof. Hartley Furtan Dept. of Agricultural Economics
 Author of "The Policy of Change"

Prof. Furtan believes on-going and significant change in the world grains industry is inevitable.

Canadian farmers are being encouraged to move to livestock industries targeting the large North American market. But "keeping the US borders open to trade" is very difficult. US agriculture policies are very protectionist and don't look like changing.

Canadian grain growers are having difficulty competing against countries like Australia. Our grain production regions are closer to port giving Australian growers a land freight advantage. China, the Russian states and Brazil are also likely to be strong competitors in the future.

The Canadian public is not tolerant of agriculture subsidies and see farmers as having a "cap in hand " approach to Government.

Saskatchewan Agrivision Corporation 51 Campus Drive
Saskatoon, SK Canada
S7N 5A8

Prof. Red Williams President

Profile:

Established to promote value-adding processing of food products grown in the province.

Works with growers, processors, handling and transport industry, retailers and Govt.

Believes commodity trade will not sustain Saskatchewan and there is a need to move along the value chain.

Creating a fund to attract investment in agribusiness.

Saskatchewan Council for PO Box 21038
Community Development Saskatoon, SK Canada
S7H 5N9

Profile:

Aims to be a catalyst for community co-operation, empowerment and development.

Believes in "bottom-up" development where communities are encouraged to take control of their future.

Priority project categories are; Market Opportunities, Innovation, Human Resource Capacity Building, Rural Development, Food Safety and Quality and Environmental Sustainability.

Saskatchewan Pulse Growers 310 - 111 Research Drive
Saskatoon, SK Canada
S7N 3R2

Gordon Bacon, President
Penny Eaton, Extension Manager

Profile:

Representative body for pulse growers of the province with emphasis on research and extension.

Collects levy on production to invest in development of the pulse industry.

Works closely with the Crop Development Centre to research and commercialize new pulse varieties.

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Sas Pulse Growers have committed considerable funds towards pulse industry development and have successfully aligned themselves with the Government research organizations to the point where they jointly manage the Variety Release Program for pulses.

Sas Pulse Growers encourage a value-adding culture by providing members with information about the food uses and markets for pulses.

- **Regina**

(Population approx 200,000)

Provincial capital

Tues, April 10

Saskatchewan Agriculture and Food

3085 Albert St

Walter Scott Building

Regina, SK Canada

S4S 0B1

Commissionaire in foyer on trading with USA and NAFTA - "Don't play leap frog with a unicorn"

Ray McVicar, Crop Development Specialist

Profile:

Govt. dept based at main govt. offices beside the Legislature Building

Strong special crops processing sector with many plants built by farmers or farmer groups
Major contributor to local economies

Main grains processed are peas, lentils, chickpeas and canary seed

Recent survey identified 128 processors in Saskatchewan with an average of 6.7 employees each and cleaning capacity of 6-7 mt per hour

"Value added processing is a focus of Domestic Agriculture Policy"

Over time there may be some rationalization of plants. Those near major railheads are likely to be the most competitive in the long term.

USA strongly protectionist and has no intention of changing. US industries complain to congress about an 'unfair practice' by a Canadian company. Congress funds legal challenge (from public money) which has to be fought by Canadians (from industry money). Canada usually wins but it is an on-going financial cost to Canadian industries. "The US has this smoking canon and just swings it around and points it at someone and says 'OK we will have a go at you guys now' "

(USDA still has strong influence. One view is the \$1 school lunch program sponsored by USDA is used for leverage. If cuts to USDA budget are suggested they say the school lunch program has to go. This would cause a public backlash, so funding stays.)

NB; Ray McVicar visited VIDA and TLC in 1997. Michael Materne is visiting Canada in July.

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Performance Seeds **422 McDonald St.
Regina, SK
Canada S4N 6E1**

Kent Hall, Manager, Technical Services

Profile:

Seed company owned by 180 growers
Deals mainly in wheat, barley, peas, canola and flax
Identifies overseas cultivars and imports for bulk up and distribution in Canada

Potential cultivars identified from overseas breeding lines and imported
2-3 years local testing then registration
Relatively high success rate with peas
Cebeco Seeds in the Netherlands is one of the main companies they deal with.
Saskatchewan Pulse Growers have control of most lentils and chickpeas released. (And the seed companies are not very happy about that)

ACTION; Samson Marrowfat pea may be suitable for spring sowing in southern Australia

Wed, April 11

Saskatchewan Economic & Co-operative Development **2nd Floor
1919 Saskatchewan Drive
Regina**

Russ Paul, Business Development Manager

Profile:

Provincial govt. department funded to encourage food processing sector and development of industrial uses for agricultural products.
Seems to be an attempt by govt. to slow the severe decline being experienced by the rural sector in Saskatchewan
This dept. also collects statistics on population change/movement, ages etc.

"Provincial based organization with 26 Regional Economic Development Authorities
Play a 'pathfinding' role for groups or businesses, with very little direct funding available. Felt it was more effective when this dept. used the \$1 for \$1 approach to business development.

Typically: 1 in 5 businesses helped would last less than 1 year
 Another 1 in 5 would fail before 5 years
 But 3 in 5 would make it

A good result from the departments point of view"

Looking at ways of attracting capital to the province
Maybe in **immigration policy** – skilled immigrants to work or establish businesses in the regions. Especially if those businesses could compliment existing agriculture industries e.g. food processing, intensive or specialist agriculture

Also looking for saviour in mineral wealth. Oil and gas is why Alberta is the strongest province and attracting many people.

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Manitoba

- **Winnipeg**
(Population approx. 680,000)

Thurs, April 12

Xcan – The Canadian Trading Company

**1200-201 Portage Ave
Winnipeg, Manitoba
Canada R3B 3K6**

Martin Chidwick, Senior Trader, Pulse Specialist

Profile:

Xcan is owned by Agricore, a large grower co-op
Major world trader in canola – in excess of 1 million tonnes in 2000
Major trader of green and yellow peas, lentils and chickpeas

"Many grower groups trying to export special crops. They like the 'glamour' of travelling to India or the Middle East and being courted by the traders there. These groups are generally naïve, will often be talked into selling too cheap and regularly ripped off."

"Canadians are like Australians. They are generally very trusting and 'nice' people and keep their word. In business, ISC and Middle Eastern culture is different. Lying and cheating to improve profit is normal business practice."

Challenged Payment – selling pulses forward is difficult. If prices drop, buyers refuse to open LC or refuse to pay for shipped cargo. "They say ' Take us to court' knowing it would be a long, drawn out process. So we negotiate a settlement. Forward prices for lentils are strong but Xcan is not buying from growers because we can't safely cover our exposure. The risk of 'challenged payment' is high."

Recommendation

Grower groups such as WGCo or small co-ops are not well equipped to trade directly into ISC or the Middle East. They should sell on a FOB type basis to the larger, experienced trading houses for these markets. Direct export opportunities should be pursued into countries with a more ethical approach to trading and the legal and financial system to support it.

- B90 Kabuli chick pea – Xcan has marketing rights
Small but has properties making it suitable for processing (canning???)
Has considered producing in Australia but would take years to build up seed.
- French Green lentils - Currently oversupplied and almost unsaleable
Have previously shipped 15,000 – 20,000mt to Belgium
- Lentil production in Canada will reach around 1million mt this year
Strong move to red types
- Joachim (Joe) Toens Senior Trader
Oilseeds
- Traded over 1 million mt canola last season

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“Don’t introduce GMO canola”

Europe doesn’t want it

It is not a question of premium for non-GM but discount for GM

Rob Tisdale, Manager, Special Crops

Have tried exclusive marketing arrangements with grower groups
Doesn’t work because price is ‘never high enough’

Prefer to buy parcels from these groups on a **loaded wagon** basis. Growers have to arrange wagon space and loading. Paid 80% when dispatched from country elevator. Balance when received at port in good condition (no sweating in rail car, quality to spec. etc)

This approach can save Xcan 2 months funding compared with buying small lots from individual farmers delivered to elevators or cleaning plants and slowly building parcels for shipment. The value to Xcan is say \$2 per mt; **i.e. the financing cost** (NB didn’t mention admin saving)

On peas trading margin approx. \$3 per mt

Some growers successful by freeing up capital - Using custom harvesting rather than owning \$250,000 machines for use 4 weeks of the year
Not owning all land farmed i.e. lease arrangements

Monday, April 16

Johnson Seeds

**PO Box 3000
Arborg, Manitoba
Canada R0C 0A0**

Keith Johnson, Director

Profile

Family farming business that also processes and exports grains.
Beans, flax and canary seed are the main products.

Still actively farming 3000 acres of forage and grain crops.

Average annual rainfall is 425mm.

The farm enjoyed good seasons and profits in the mid 90's but much tighter margins now.

The company buys beans, flax and canary seed from surrounding farms, mainly for export to Europe.

Lentils and marrowfat peas are purchased from growers in southwest Manitoba and Saskatchewan.

Freight costs are a major obstacle to trade. Approx. US\$1700 per 20' shipping container from Arborg to Europe.

The Winston Churchill Memorial Trust of Australia
Report by David Matthews (2001 Kondinin Whittington Churchill Fellow)

Tues, April 17

Canadian Special Crops Association

**1215-220 Portage Avenue
Winnipeg, Manitoba
Canada R3C 0A5**

Francois Catellier, Executive Director

Profile:

Association of exporters, traders, brokers and processors involved in crops such as dried peas, lentils, mustard seed, canary seed, dried beans, faba beans, sunflower seeds, safflower and buckwheat.

CSCA works with grower organizations such as Pulse Canada.

Concerned the many small grower groups being formed to export pulses are competing with each other and driving prices down.

Would like to see Federal and Provincial Governments co-ordinate export and business development.

Wed, April 18

• **Souris (South of Brandon)**

220 kms west of Winnipeg, just off the Trans Canada Hwy.
(Population approx. 3000)

Praireland Grain

**Box 537
Hartney, Manitoba
Canada. R0M 0X0**

Doug Cowan, Business Manager

Profile:

Grain farmers who started the cleaning, packing and export business with 2 neighbours in 1994.

Handle yellow peas, marrowfat peas, lentils and sunflowers

Approx. 2000mt storage on site using a Cimbria 108 cleaner

Some direct export and some "terminal business"

Plant is built on a rail spur line. Generally load 100 lb. bags into a boxcar and the bags are "re-stuffed" into 20' containers at the port terminal. 1 boxcar holds around 65mt of peas.

It is very expensive (CA\$90/t) and very difficult to get containers out to their plant.

Box car freight and the terminal stuffing costs approx. CA\$75/t. Cleaning and bagging costs are additional.

Machine dressed bulk grains are also a large part of their work. Toll cleaning for large bulk shipments is common. A large exporter like Xcan, will co-ordinate several cleaning plants to supply peas for a given shipment date. Given the long freight hauls to port, wagons need to be loaded at least 8 – 10 days prior to due date at port.

Doug runs the grain business and his brother Bill and father Art run the farm.

Well established 4th generation farmers but still finding margins from cropping being squeezed.

Believe they will have to look at other enterprises such as hogs and cattle.

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- **Rivers**

Small town 50 km north of Souris

Only approx. 1000 people but the town had 4 competing cleaning plants and 2 different elevator companies (Cargill and Agricore)

According to Glenn Maguire, the owner of the lumber store, the town was slipping and now only had one grocery store and many closed shops. Sounds familiar.

Washington (USA)

- **Spokane**

(Population approx. 300,000)

Thurs, April 19

Keigley & Co 1002 N Division
Spokane, WA 99202 USA

Alan Lee, in charge of technical design

Profile:

Design and install grain handling equipment and systems

Small seed cleaning plants to high volume commercial handling systems

Gave information and brochures on a number of conveyor systems. Self-cleaning drag conveyors would have application in our pulse processing plants.

Friday, April 20

Spokane Seed Company

Robert (Bob) Mottram, Field Consultant

Profile:

Established in 1906, this company cleans, packs and splits lentils and peas for domestic and export consumption.

Main export markets include Sth America, Algeria and European destinations as well as some product into India.

Select Supplier for Campbells Soups, their main domestic customer

Looks after grower contracts, seed supply and agronomy

Growers given seed on a re-delivery basis; i.e. they are contracted to Spokane and seed cost is deducted from crop payment.

Many growers are struggling and choosing not to grow pulses because the "federal programs" don't assist with these crops.

Some have moved to turf crops such as Bluegrass. These are very profitable perennial crops although the county ban on burning crop residue has removed one of the growers preferred management tools.

Common lentil varieties are: Small brown – Pardina
 Large greens - Brewer
 Crimson - Red Chief

**The Winston Churchill Memorial Trust of Australia
Report by David Matthews (2001 Kondinin Whittington Churchill Fellow)**

Prices low; approx. 10c/lb

ACTION; Check import requirements for small brown lentils (Spanish browns)

Check Aust production and export demand

Nelson Fancher, Sales Assistant

Discussed possible import demand for French greens. They use only 50 mt or so per year. Not sure where they source their product.

Also discussed supply of small brown lentils to Aust. Interested in supply and will check out export requirements from their end. I undertook to look at import requirements.

HACCP – Spokane seeds began introducing QA system because of Campbell Soups “encouragement”

Now consider it their key advantage over other potential suppliers.

Growers not yet using on farm QA

The company continually promotes itself as a high quality supplier.

Alberta

• **Lethbridge**

Large regional city 2 hours south of Calgary

Strong agricultural and mineral (oil and gas) base

Diversified agriculture with intensive livestock such as lofed cattle and hogs, and irrigated crops like potatoes adding to the traditional broadacre crops.

Monday, April 23

Chin Ridge Seed Processors

**Box 4222
Taber T1G2C7
Alberta**

Profile

Pedigreed seed processor and supplier

OCIA (?) Certified for Organic cleaning

Mainly deal with canola, cereal crops and pasture crops

Co-operative but no varieties that appear suitable for our growing conditions

Agricore Special Crops

**Broxburn Agro Centre
Lethbridge**

Blair Roth, Manager
(403) 382 3400

Handles seed supply for Agricore, including pulses

The Winston Churchill Memorial Trust of Australia
Report by David Matthews (2001 Kondinin Whittington Churchill Fellow)

Tuesday, April 24

Western Canadian Wheat Growers Association

Ted Menzies, President

Cropping farm at Claresholm, between Calgary and Lethbridge
Heat units available an important consideration when choosing crop rotations.
Land valued at C\$1000/ac
Very new plant, vehicles, house etc (Sandy, Ted's wife, says is all debt funded)
Hutterites buying most of the land, locals can't compete.

No-Bull Marketing Carmangay

Dan & Shari Greene, farmers and part owners. Shari is the Office Manager
Doug Fraser, Operations Manager

Profile

Packer and exporter started by 6 farmers in 1998
Exports directly to South America and countries such as Algeria

Very similar philosophy to WGCo
Believe growers need to increase involvement outside the farm gate
Production profits are marginal. A very dry year in 2000 has put many farmers in their region close to the brink. (Normally 11-12 inch rainfall but last year only 2-3 with crop yields of 2-5 bushels/acre)
Interested in sharing price and supply info and provide alternate supply source in years of poor production.
Using bagging equipment supplied by Riteway, including an auto feeder into the bag closer; i.e. one person bags and stitches at 6-7 bags per minute.
Bags are palletized in 3 ton lots and loaded into container by forklift.
Cleaning is done on contract basis by adjoining seed cleaning co-op.
Hope to install an air transfer system between the two plants.
Laden are suppliers of handling equipment they use.

EUROPE

FRANCE

- **Le Puy en Velay**

Farming region approx. 150 kms south of Lyon.

Small family farms of approx. 20 ha.

The region is famous for it's production of French green or "Puy" lentils.

Friday, 21 September

Sabarot Wassner

La Combe

43320 Chaspuzac

Olivier Saye-Hoc Barnaud, Buyer

Profile

Well established business. Has been supplying packaged lentils for over 100years.

The Sabarot brand is known worldwide for it's excellence.

The company specializes in Puy lentils, buying direct from growers and processing and packing in their plant at La Combe.

Other pulses marketed include chickpeas, green peas and flageolets (a small green bean).

Sabarot also package champignon and mushroom products.

Note: Sabarot's packaging and presentation of its pulses is excellent. When describing the lentils the company talks of their "delicate taste, fine skin and lovely vintage"

- **Clermont Ferrand**

Regional city 180 kms east of Lyon.

Farming cereals and maize.

Tourism to the extinct volcanoes and springs.

Monday, 24 September

Groupe Limagrain

63720

Chappes

Francois Viallet ,Director Dept. of Agronomy

Profile

Founded in 1942 as a grower co-operative.

Now a worldwide company with over 5000 employees in the group.

Active in many aspects of agribusiness from crops research to food retail.

The company is still a co-operative with a board of 15 farmer directors and the Executive Director.

Current sales of 6 billion French francs (approx. AUD\$1.5 billion)

The philosophies of the company are;

- To contribute to regional growth by creating high value Agri-food businesses
- To pursue vertical integration in Agri-food

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- To move from commodity production to specialist production
- To ensure strong Identity Preservation along the supply chain

Nickerson seeds was purchased by Limagrain in 1990. Pulse crops managed by Nickersons UK office.

- **Paris region**

Thursday, 27 September

Austrade 4 rue Jean Rey
75724 Paris

Anne Borgo, Food Marketing

All European food importers are looking for HACCP and ISO quality accreditation from their suppliers.

Traceability is very important and will be necessary to access the better markets.

The Milan office of Austrade is the European portal and can provide a profile on dry legume and specialty grain imports.

The Paris office can supply information on France and Belgium.

Friday, 28 September

Nestle R&D Centre rue Charles Tellier
60000 Beauvais

Pierre-Yves Fosseux, Research Director

The centre is conducting research into protein use in foods, particularly ice-cream.

Peas and lupins are being used

Functionality and structure of these grains is good but changes to taste of the ice-cream are causing difficulties. Widespread commercial use of lupins in food products is still some way off.

Monday, 1 October

Agri Obtentions Chemin de la Petite Miniere
78041 Guyancourt

Cyril Jeannot, Commercial Manager

Profile

Commercial arm of INRA, the government controlled research organization.

Agri Obtentions commercializes crop varieties released by INRA

Pulse breeding concentrating on field peas and lupins with some new lentil and bean lines.

Most lupin production in France is consumed on farm as stockfeed.

New varieties with shorter growing season and higher yields are likely to lift lupin area sown to 100,000ha.

New blonde lentil being released for high rainfall zones (600-700mm)

Westvic Agservices has introduced some of INRA's lines into Australia.

BELGIUM

- **Antwerp**

Industrial city of around 450,000 people
Major port gateway to Europe

Thursday, 4 October

Antwerp Chamber of Commerce and Industry

**Markgrvestraat 12
B 2000 Antwerpen**

Luc Luwel

Chamber of commerce can provide contacts for food importers and distributors.
Charge for the service - 3000 BEF (AUD \$120) admin fee and approx. 10 BEF (AUD\$0.40)
per address.

Provided other contacts - Australian Business in Europe
Belgium Federation

Belgium is a consumer of pulses particularly in the French speaking south.

NETHERLANDS

- **Vlijmen**

A small town in a farming region 60 kms south east of Rotterdam.

Friday, 5 October

Cebeco Seeds

**PO Box 10000
5250 GA
Vlijmen**

Jan Meerburg, Export Manager - Cereals, Pulses & Oilcrops

Profile

Part of the Royal Cebeco Group Co-operative, the largest agricultural co-op in the Netherlands.

The group has interests in turf and crop seeds, animal feed and the food sector.

Average farm size of 50ha in the Netherlands with maize, wheat and potatoes being the main crops.

Cebeco Seeds has breeding programs in wheat, barley, flax, green & yellow peas, marrowfat peas, maple peas, faba beans, grasses and clover.

ACTION; Arrange marrowfat pea trials in S.East Australia

DENMARK

- **Copenhagen**

Danish capital with a population of 1.3 million.

Thursday, 11 October

DLF Trifolium **Research Division**
PO Box 19
DK 4660
Store Heddinge

Mogens Toft Jensen, Head of Marketing & Product Management
Arend Kleinhout, Manager Pulse Research

Profile

Large agricultural co-operative with 4600 members.

Based in Denmark and offices in Germany, UK, USA and China.

Turnover of approx. 1.3 billion Danish krone (AUD \$300 mill)

Strong presence in turf and forage seed markets.

Professional turf - for use in football stadiums, on golf courses and race tracks and in parks - is an important part of their business.

3 varieties of peas currently under trial with the Victorian Institute of Dryland Agriculture in Horsham.

DLF are interested in Wimmera Grain Co managing the commercialization of these peas in Australia.

Friday, 12 October

Austrade Denmark

Thomas Andersen, Consultant

Limited potential for Australian grains into Denmark.

Fenugreek and safflower the best potential.

GERMANY

- **Cologne (Koln)**

Major trade and industrial city of just less than 1 million people.
Situated on the Rhine River.

Sunday, 14 October - Tuesday, 16 October

**Anuga 2001 Food & Beverage Exhibition Cologne Exhibition Centre
(Koln Messe)**

Robert Bergmann, Austrade co-ordinator for Australian companies.

Profile

Anuga is one of the world's major food and beverage exhibitions and is held every 2 years. Covering approximately 65 acres of undercover displays, Anuga attracts around 5500 exhibitors from 90 countries and over 180,000 visitors.

Austrade organizes an Australian national stand while other Australian companies have separate displays.

Comment

The Australian display was professional but did not have the visual impact of countries that followed a theme with all companies on their stand. Canada, with a native Indian theme, Spain, Morocco, Thailand, UK and South Africa all had superior displays with greater visual impact. And with 5500 exhibitors vying for attention, visual impact is vital.

Stands with table space, seating and refreshments were well supported. Gimmicks that identify a country also attracted attention. For Australia that could be props such as a boxing kangaroo with a Fosters or a video of Aussie rules football.

Anuga is initially overwhelming because of its size but it can provide many introductions for Australian companies seeking export markets. Victorian company McMahon & Co. has exhibited at Anuga ten times and almost all of their export contacts have been made at this expo.