



Cereals Canada

Strategic Plan

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# WHO WE ARE

## The Need for Cereals Canada

The cereals sector in Canada is currently undergoing a significant transition. Historically the Canadian Wheat Board (CWB) had provided leadership on many issues such as market development and research direction. The end of the CWB's marketing monopoly has resulted in opportunities but has also identified gaps in industry coordination.

Cereals Canada was created to seek out opportunities and fill those gaps as a national, non-profit organization that brings a broad and diverse collection of partners from all sectors of the cereals value chain. The creation of Cereals Canada is an opportunity for the industry to guide the growth and development of Canadian cereals research, production and market outreach and support. Its goal is to ensure a profitable and vibrant future for all links in the cereals value chain.

## Cereals Canada Governance

Cereals Canada is a national, not-for-profit organization that brings a broad and diverse collaboration of partners from all sectors of the cereals value chain.

Cereals Canada is driven by its membership. There are three membership pillars that are equally represented on the Board of Directors;

- 1 Farm organizations
- 2 Grain handling, export and processing firms; and
- 3 Crop development and seed companies.

Equal representation from all of our member groups is both deliberate and important. All stakeholders involved in growing, marketing or processing cereal grains are better off when the industry works together toward common goals. This is best accomplished if all links in the value chain have an equal opportunity for input.

Cereals Canada recognizes that each of our member organizations and companies have a unique and valuable perspective. The right of each to speak and be heard on all issues is a central core value of the organization.

Cereals Canada strives to facilitate a consensus within the Canadian cereals sector as well as around the Board table. We recognize the need for broad industry consultation on strategic directions in all of the following key priority areas. Cereals Canada seeks to facilitate the development of industry consensus through dialog and does not look to supplant or replace existing industry voices.

Cereals Canada believes strongly in the development of relationships based on trust, respect and collaboration across commodities and amongst all participants in the value chain. This foundation will enable us to effectively work together and achieve our common goals.

## OUR VISION FOR CANADA'S CEREALS INDUSTRIES

*A dynamic, responsive Canadian cereals industry that brings sustainable profitability to the entire value chain.*

## CEREALS CANADA'S MISSION

*To enhance the competitiveness of the Canadian cereals industry by providing leadership on behalf of the value chain to key initiatives of common and strategic interest, including innovation, market development and advocacy.*





# OPPORTUNITIES AND THREATS

## FOR THE CANADIAN CEREALS SECTOR

The strategic vision for Cereals Canada has been developed with the goal of maximizing the opportunities for our sector while recognizing the threats to the long-term profitability for the industry.

# OPPORTUNITIES for the Canadian Industry

Canada has a strong reputation for consistent quality products in the international marketplace. The current time of transition in the cereals sector presents an opportunity to build on the Canadian brand in both international and domestic markets.

The structure of the Canadian grains and oilseed industry in Canada provides the Cereals sector with unique opportunities on the world stage. A competitive advantage for the Canadian industry is our ability to differentiate and segregate products and consistently deliver the high valued quality traits desired by our customers. It also allows our suppliers to acquire, store, and deliver many different qualities of cereals and other grains to the specific customer without risking quality issues due to admixing. This allows Canadian suppliers to build a strong value proposition for our customers.

The Canadian system of quality control is a key part our Canadian structural advantage. In this time of transition there is an opportunity to build on this quality control infrastructure to ensure

that the Canadian advantage is maintained and expanded in the future, and that the Canadian industry has the flexibility to adjust to evolving customer demands.

There is a resurgence of interest in innovation and research in cereal crops. This presents the Canadian sector with an opportunity to make Canada a top choice for investments in innovation by helping to create a policy environment that ensures a return on investment for all stakeholders in the value chain.

Building a strong Canadian cereals brand goes hand-in-hand with renewed investment in research and development. The Canadian industry today has an opportunity to develop and implement an innovation strategy that will facilitate increased research investment to help ensure quality traits demanded by our customers.

Taking advantage of these opportunities will increase the value of Canadian cereals production for farmers, grain marketers and crop development companies, while delivering strong value to our customers.

# THREATS to the Canadian Industry

There are a number of threats that could diminish the ability of the Canadian cereals industry to maximize the return for each link in the value chain. In each instance the probability that the sector will effectively address these threats is increased substantially if we can approach the issues with a single industry-wide message that is focused on market outcomes over politicization of issues.

## A Non-Science Trends

Non-science based consumer trends are a threat to the Canadian cereals industry. This threat is more prominent in the high-valued markets that Canada will need to access to maximize our competitive advantage.

Trends that are devoid of scientific backing take two forms. One is opposition to modern agricultural practices stemming from a lack of understanding of the sustainability of current farming methods. The second, consumers may follow non-science based dietary trends that reduce the quantity of cereals demanded in domestic and international markets. While individual dietary trends may be short term fads that fade over time new variants tend to develop that maintain the threat to overall demand.

Countering these threats will take significant engagement by all stakeholders in the cereals value chain and will require the coordinated involvement of all industry associations and representatives. We must address the concerns of consumers and help them to understand the true value generated by the cereals industry.

## B Sanitary and Phyto-Sanitary Barriers to Trade

Governments are successfully negotiating reductions to many of the traditional tariff barriers that have limited trade in the past. This is a positive development for the Canadian cereals sector, which is export dependent. However, these tariff barriers can be replaced by sanitary and phyto-sanitary barriers that claim to be built on food safety concerns.

The ability of protectionist governments to turn to these non-tariff barriers to trade is enabled by advances in testing methodologies. New methodologies allow for testing in parts per trillion, which is often well below levels of legitimate food safety concerns.

This threat must be countered by supporting international standards that are based on sound science and ensuring that international trade is based on these standards. Both industry and governments must work together to build and strengthen science based trade.



## THREATS CONTINUED...

### C Phyto-Sanitary Standards Disproportionate to Risk

This threat is directly related to items (A) and (B). Some countries, such as the European Union (European Commission Regulation 1881/2006) have implemented standards for mycotoxins and allergens that are disproportionate to the level of scientifically-determined risk. The implementation of these standards in the EU has resulted in movement in this direction in other jurisdictions.

The maximum limits in place for DON (deoxy-nivalenol) currently in place in the EU represent a trade barrier. If Canada were to follow the EU and impose maximum limits that are disproportionate to risk we would lose alignment with the United States which is one of our most important markets for primary and further-processed cereals-based foods.

The Canadian industry must continue to emphasize the need to follow science-based risk assessments when setting maximum limits through regulation. The Canadian industry must also continue to emphasize the value in aligning, when possible, our science based regulatory environment with our NAFTA partners.

### D Untapped Productivity Potential of Our Competitors

A number of our competitors in the international marketplace have significant untapped potential. This is particularly true of parts of Eastern Europe. Significant increased supply, and therefore downward pressure on international prices, would result if these countries were to fully realize their production potential.

The Canadian cereals industry can counter this potential increase in supply by differentiating Canadian cereals from the exports of other countries. We can accomplish this goal by concentrating our market development efforts and innovation resources on our key competitive advantages, namely the consistent supply of the specific quality and end use functionality characteristics demanded by customers.

### E Internal Competition from Other Commodities

There have been significant advances in Canadian agriculture. This has allowed the production of new crops in areas where they could not be grown in the past (e.g., corn and soybeans). Advances in research have significantly increased the profitability of non-cereal crops pushing cereal production down. In many cases farmers are maintaining cereal production simply because of crop rotation requirements and not because of the profitability of cereal grains.

These trends will not abate in the coming years and cereal crops run the risk of losing the critical mass necessary to maintain the consistent supply demanded by our customers.

Innovation and focused market development are required to maintain the profitability of cereal production in Canada, and ensure the healthy growth of our sector.





# KEY PRIORITY AREAS

Cereals Canada has established three priority areas for the organization.

- 1 *Provide leadership for the Canadian cereals industry.*
- 2 *Build and implement a market development plan for Canadian cereals.*
- 3 *Shape the environment for innovation in cereals.*

These three priority areas will permeate the organization's planning and activities. Each cereal crop in Canada has a fundamental role to play in the future of agriculture in Canada and within the value chain. Developing synergies across all cereal grains in the three priority areas is a significant objective for Cereals Canada. It is noted throughout the strategic plan, these benefits will only be achieved through the development of relationships based on trust, respect and collaboration amongst all stakeholders in the value chain.

# INDUSTRY LEADERSHIP

Markets are rapidly evolving. Industry efforts should be focused on the demands and competition of the future and not just based on historical practices. The new marketing environment has created an opportunity to engage the entire value chain to fully exploit Canada's competitive advantages.

In order to take advantage of these new opportunities the Canadian cereal industries must come together with common goals and objectives. Today, both governments and our customers often see a lack of coordination among the existing stakeholders.

Successful leadership of the Canadian cereals sector will only be accomplished through the development of relationships based on trust, respect and collaboration amongst all stakeholders in the value chain.

Cereals Canada will facilitate, as much as possible, common messages and objectives for the Canadian cereals sector. This applies to the public, governments within Canada, and our customers outside of the country. This is the most effective way to collectively increase the value of cereals to everyone in the value chain.

In the past, issues in the Canadian cereals sector have tended to become politicized with strong positions taken by the two "sides" of the debate of the day. This has not always led to outcomes that

are in the best interest of the value chain as a whole. It is Cereals Canada's goal to facilitate movement away from the politicization of industry direction, and focus on solutions that will maximize the sector's competitive advantages in both the domestic and international markets.

## Key Areas of Focus

The objective of achieving a common, market-based approach applies to all areas of engagement for Cereals Canada, including Market Development and Innovation (which will be outlined in greater detail in subsequent pages). However, the Board of Directors has identified areas where Cereals Canada will play a key leadership role:

- Emerging sanitary and phyto-sanitary issues that could/do limit Canada's access to key markets.
- Misinformation and non-scientific attacks on modern agricultural production practices.
- Key policy issues that impact Canada's ability to maximize our competitive advantage in the international market place. The logistics challenges of the 2013/14 crop year highlighted logistics capacity as one example of a critical policy area.
- Communication of the dietary benefits of cereals and the sustainability of cereals production in Canada.

"Leadership" in these key areas of focus can take three basic forms; (A) Cereals Canada will play a lead role, (B) Cereals Canada will play a facilitative role and (C) Cereals Canada will play a supportive role.

**A** Lead role means that Cereals Canada will take the lead in driving the agenda, building consensus within the industry and being the lead voice on the issue with governments, the public and other industry players (e.g., other industry associations).

**B** Facilitative role means that Cereals Canada will not necessarily drive the agenda, but play the lead role in facilitating an industry wide policy solution, and in developing an industry wide communications and government relations plan.

**C** Supporting role means that Cereals Canada will support the communications and government relations plan developed by other organizations.

No matter what role is taken by Cereals Canada, the objective of our involvement will always be to drive towards a common industry message that is based on the market needs of the industry as a whole.

## Measurements of Success

Measurement of industry leadership does not lend itself to quantitative analysis. Nor can "success" be expected to be a singular one-time event. Rather, success will be measured by progressive steps over time. The Board of Directors will evaluate, at least annually, key qualitative measurements of industry leadership.

Key questions to be used in this evaluation include:

- Has the industry achieved a common strategy for market development (to be discussed in subsequent pages) for all cereal grains?
- Has the politicization of issues declined over time?
- Does the cereals sector deliver consistent messages (to governments and customers) on key policy issues?
- Does the cereals sector speak with a common message on key issues relating to our social license?
- Has the industry developed a strategy to deal with unscientific misinformation regarding agricultural production practices and the nutritional value of Canadian cereals?



# MARKET DEVELOPMENT AND SUPPORT

Cereals Canada's long term goal for market development is a cereals sector that understands, agrees with and focuses on Canada's strengths and opportunities in the development, production, export and processing of Canadian cereal grains.

Successful market development requires the cereals sector to recognize and agree upon areas in which Canada has a competitive advantage, and target innovation to expand that advantage or find new technologies that can be employed to take advantage of those opportunities.

This approach applies to all markets for Canadian cereals. Efforts to develop and support our customers applies to the valuable North American market as well as our markets off-shore.

The Canadian cereals sector must develop an integrated collaborative strategic plan regarding cereal market development.

This integrated approach must include existing organizations involved in outreach to our customers, such as Cereals Canada, provincial commissions, the Canadian International Grains Institute, the Canadian Grain Commission, and shippers and exporters.

Canadian market development will be successful if all organizations are working together to deliver consistent messaging throughout the world. Facilitating that consistent message and integrated approach is the role to be played by Cereals Canada.

There is a clear consensus that Canada's competitive advantage comes from the consistent delivery of high-valued quality to customers who are willing to pay a premium for reliable and consistent product. There needs to be consensus within the industry on how this goal should be achieved.

The first step in a successful market development strategy is gaining a better understanding of the quality characteristics that will draw a premium from the market and which customers are willing to pay that premium. The new marketing environment provides an opportunity for industry wide agreement on the key market segments that will lead to the greatest return for all links of the value chain, and therefore should be the focus for market development efforts. Some key questions to be explored include:

- A What quality and end use functionality characteristics are most important for each customer?
- B What varieties and classes can consistently deliver these quality characteristics?
- C What demand can our logistics system support and how do we increase this capacity?

The second critical component of market development is outreach and support. All customers of Canadian cereal grains are important to our industry, and all customers must be supported through market outreach efforts. Particular focus will be paid to customers willing to pay a premium for Canadian quality and end use functionality attributes. Work done by the Canadian International Grains Institute is an excellent example of the kind of market support that is needed. However, a coordinated approach across the value chain is needed to ensure that market outreach is focused on countries and companies that are a priority for the Canadian cereals industry. Cereals Canada will play this coordinating role within the industry.

## Key Areas of Focus

There will be three key areas of focus for Cereals Canada on market development issues. The first of these is "understanding what our customers want". On behalf of the Canadian Cereal Grain stakeholders, within the next year Cereals Canada will undertake a comprehensive market review that will carry out an in-depth examination of the key questions identified previously in (A) through (C).

This market review will be the cornerstone of Cereals Canada's coordination of market development efforts. It will also serve to inform the direction for research and innovation in the cereals sector (to be discussed more fully in subsequent pages).

The market review will form the basis of the second key area of focus for Cereals Canada's market development efforts: focused resources. It is understood by the membership of Cereals Canada that some of our key competitors have dedicated significantly more resources to market development efforts when compared to Canadian outreach.

There is a consensus that more effective results will be accomplished if Canadian efforts are focused on the markets, countries and customers that have been identified as priorities through the market review.

The third key area of focus will be "common message". There is a perception within the industry that organizations that have engaged in market development efforts have not always carried a common message to customers of Canadian cereals. This situation has arisen as a result of the temporary vacuum created by the end of the Canadian Wheat Board's marketing monopoly. Coordinating a common market development message for all missions abroad will be a key leadership role played by Cereals Canada.

## Measurements of Success

There are three key measures of success for Cereals Canada's market development efforts. These are:

- The publication of a comprehensive market review that highlights the Canadian competitive advantage by crop kind and class. That is, what quality characteristics and end use functionality will draw a premium from the market and which customers are willing to pay that premium?
- Industry and government market development resources that are focused on the key markets, countries and customers where Canada has a competitive advantage.
- A common message and focus for all organizations that participate in development and supporting markets for Canadian cereal grains.

# INNOVATION

In the last 20 years there has been significant investment in agricultural research and development. Unfortunately for the cereals sector, much of that investment has occurred in other commodities. Incremental investment must occur if cereals production in Canada is to maintain profitability for all links in the value chain.

The transition to a new marketing environment in Canada presents the industry with an opportunity to strategically engage both private and public sector researchers in order to focus innovation efforts on Canadian competitive advantages.

Effective coordination of research will also help avoid duplication of research efforts and help enable new partnerships between crop development companies, public research institutions and farmers.

The creation of an environment that supports innovation in cereals will help encourage investment within Canada and within this sector. Failure to create this supportive environment will result in research funding flowing to other countries and other commodities.

Research efforts should be linked to Canada's market goals. A clear bridge needs to be developed between market development and innovation.

There are two customers for innovation: growers and end users. Canada must develop innovation that meets demands from both of these segments.

Clear communication of well-defined market signals will be the key to linking innovation to the needs of our customers and the international marketplace. The structure of new value capture model critical is a component to deliver clear market signals.

How does Canada encourage investment in cereals innovation? Some ideas include:

- New tools and policies (e.g., new value capture methods for new varieties) to allow researchers to capture the value of their work and investment.
- Improvement to the variety registration and wheat classification systems to allow greater flexibility, while maintaining the ability to deliver quality and end use functionality characteristics to the market.

- Balance and coordinate public and private investment in research (e.g., 4-P producer, public, private partnerships).
- Maintenance of a predictable and science-based regulatory system.

Cereals Canada will help lead the industry discussion on these key issues that will shape the investment climate for years to come.

It is noted that innovation is not simply confined to plant sciences and variety development. Innovation in product development, processing and handling will also increase the profitability of everyone in the value chain.

One of the key threats to cereals research and innovation is a shortage of qualified individuals willing to enter into cereal research. This is particularly evident in the public research institutions. While the issue of dwindling research staff is evident in public institutions, access to qualified researchers is also a concern for private research companies. Vacant positions act as a significant constraint to realizing innovation objectives. There is no quick solution to a shortage of researchers. This is an issue that Cereals Canada will work to address, along with our partners in the cereals value chain as well as in other grains, oilseed and special crops industries.



## INNOVATION CONTINUED...

### Key Areas of Focus

Linking investment in innovation to market development will be a key area of focus for Cereals Canada. The market review outlined in the Market Development and Support section will be a key tool for this process.

Cereals Canada will help develop a collaborative model for cereals research in Canada by bringing together both public and private research institutions. This will be done to both avoid unnecessary duplication as well as develop new partnerships, like the 4-P model mentioned above. An initial effort in this regard will be the creation of an up-to-date catalogue of various research activities within the cereals sector.

It is recognized that these coordination efforts will not be accomplished in one year or likely even two or three years. It is also recognized that Cereals Canada will need to work closely with private and public research institutions as well as research funding organizations (e.g., federal and provincial governments, Western Grains Research Foundation).

Government policy is a critical component of the environment that is needed to encourage new investment in the cereals sector. To this end Cereals Canada will work with other industry partners on:

- New tools and policies (e.g., new value capture methods for new varieties) to allow researchers to capture the value of their work and investment.

- Improvements to the variety registration and wheat classification systems to give greater flexibility while maintaining our ability to deliver quality characteristics to the market.
- Maintenance of a predictable and science based regulatory system.

### Measures of Success

Cereals Canada defines “success” in the innovation pillar in the coming year as:

- Having begun the process to better coordinate research efforts with Canada’s market development objectives. This includes beginning work on the creation of an up-to-date catalogue of various research activities within the cereals sector.
- The establishment of an improved value-capture model for innovation in cereal crops to encourage investment in research.
- Establishment of regulations that will improve the variety registration and wheat classification systems to give greater flexibility while maintaining our ability to deliver quality characteristics to the market.

# CONCLUSION

The Cereals sector in Canada is in a period of transition that presents the industry with a unique opportunity to create the environment that will allow all stakeholders the opportunity to maximize the Canadian competitive advantage in international markets.

Leadership is needed to present a unified vision to governments and customers. Cereals Canada was created to provide that leadership within the industry.

Market development efforts should be coordinated with all organizations delivering the same message with the focus on the needs of customers willing to pay premiums for Canadian quality and end use functionality characteristics. Cereals Canada was created to provide that coordination.

There is an opportunity to make Canada a first choice for investment in cereals research and development. But to accomplish this goal innovation and research should be better linked to customer demands and market development. Canada needs a better climate for investment in cereals research and new market based tools need to be established that will link researchers, producers and marketers to the demands of our customers. Cereals Canada was created to help bring that reinvigorated investment climate to life.

Our overarching goal is to ensure that all links in the Canadian cereals value chain are profitable because our industry is meeting the demands of our customers for consistent, high-valued quality and end use functionality characteristics.



Cereals Canada

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