

## Efficient and Effective Part 2 of 4

June 2008

### ☀ **A Premature Death**

At time of writing, 300 hogs per day are being slaughtered in a rural town west of Toronto. The tripling of feed costs in recent months, coupled with the transfer of a local, longstanding pork processing business to a lower operating-cost facility in China, have necessitated this drastic action. Rather than expose the hogs to starvation, they are being humanely killed through alternative preferred methods. Sows are gassed; pregnant sows receive a higher gas dosage to ensure termination of the fetus. Boars are terminated on the farm, due to the handling difficulties which ensue when these animals object to handling and transportation. These decisions are not taken lightly, and the work itself is financially and emotionally costly.

### ☀ **"Food is not a renewable resource"**

Global reserves of three major grains – wheat, corn and rice – are at all-time lows. Both developing and affluent nations are affected. Some producing nations are restricting exports as 2007 year-end stocks were significantly lower than year-beginning levels. One of the world's wealthiest countries – the USA – may soon be in an agri-food trade deficit – importing more agricultural and food products than what they export. Dwindling supply has tripled input costs. The domino effect raises demand for substitutes, should they exist at all, and results in elevated price premiums on all alternatives. At unprecedented levels, purchasing agents the world over heavily rely on customized economic models to define a complete range of available procurement options over the short and not so long terms. Cost has become a secondary criterion. Securing supply, even at much more than 100% current prices, is now the top priority. Check ingredient statements on processed meat labels over the next year or so. The 'may contain' clause (i.e., pork, and/or beef, and/or chicken), which allows processors to select the lowest cost option without changing the label, yet need be reviewed and updated on an annual basis for accuracy, may disappear as some or none of these ingredients remain affordable.

### ☀ **Accept no Substitutes**

For some processed foods, substitutes may be available but not useful. Imagine stand-ins for basic breakfast cereals. The tail of *Cheeri-o's*® denotes the "o" of the key ingredient - oats. It would erode the brand to substitute with anything else. Ditto *Corn Flakes*® - no alternative to corn would cut it. *Rice Krispies*® need rice to "snap, crackle and pop".

These challenges pale compared to those of feeding livestock, many of which digest only specific grain, and both deserve and require a guaranteed supply to live out their lifespan.

### ☀ **Cushioned in Canada**

The Canadian Consumer Price Index (CPI) rose 0.3% between March and April 2008 (to 1.7% from 1.4%), attributable to only rising fuel prices at retail gas pumps. Global food prices have had a mere rippling effect on Canadian consumer grocery and restaurant purchasing patterns. According to one of Canada's leading agricultural economists, Canada is immune to the world food crisis due to a unique retail competitive situation - an extraordinary battle between Loblaw's, the leading national grocer — and the new kid on the skid — Wal-Mart. Some industry observers note an 180° turn in the tables, wherein all retailers have become cost takers rather than the powerful and sometimes difficult cost stipulators of the past. The strength of the Canadian dollar is certainly depressing the price of fresh fruits and vegetables, 60-70% of which is imported, the transportation cost component having a minimal effect on final prices. Several other factors are keeping Canadian domestic food prices low, some of which will be reviewed in the next Food Fax. **ff**

### ☀ **Some Web sites**

<http://www.statcan.ca/english/Subjects/Cpi/cpi-en.htm>

<http://www.georgemorris.org/GMC/Home.aspx#>

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