

Bull and Bear it!

The current global food crisis has been forecast by industry analysts for several years now, albeit to a much lesser degree. The perfect storm has just begun. In times of market turbulence, some players are incapacitated by market forces, while others find themselves in an advantageous position. Currently, rice producers and exporters in Thailand are reaping, completely unexpectedly, US\$1000 per metric tonne, about three times the unit price of a year ago. Wheat prices have tripled between the crop years of '06-'07 and '07-'08. One particular variety increased in value from C\$255 to C\$770 per tonne. Some, but not all, business operators can recoup input cost increases. Some consumers will adjust to accommodate higher food prices, some cannot. Human beings, who rely solely on daily staples, living in countries on the receiving end of a starkly different model of food supply, are starving.

Food Wars

China and India have ceased rice exports to protect domestic supply, and some elderly people in Europe have hoarded bags of rice under their beds (a criminal offence in the Philippines). Such defensive actions may have been foretold during the development of the World Trade Organization Trade Agreement (WTOA). Signed in 1995, the most extensively and comprehensively negotiated section, over a lengthy two-year period, was the global trade of agricultural products and food. Each individual signatory assumed a primary responsibility to protect its domestic food supply, while appealing for trade barrier reductions from other countries. Not an easy scale to balance. The UN has called for food aid from the world's 'rich countries', yet, how much longer a country will fit that definition is difficult to say. Canada responded by raising this year's contribution by C\$50 mm to \$230 mm. The UN may also investigate agricultural subsidy programs. One of, if not the largest, is the European Common Agricultural Policy, consuming 49 B euros at 46% of the EU budget, reportedly following the 80/20 rule – 80% of funds are allocated to 20% of EU farmers.

Spotlight on Food

The world economy is stretched and governments are reluctant to utter the R word – recession. As other sectors stagger to maintain their footing, all consumers will expect the food industry to stay standing – as everyone purchases food services and food products.

Food manufacturing is often second in revenue creation in the Western World, preceded by, for example, natural resource extraction (oil, minerals), automotive manufacturing, and electronic software and hardware. True to the saying “When you’re number two, you try harder”, the food industry has lobbied for more public sector trade support, subsidy and investment--- shhh - but not more regulations ;-).

The food industry is at the eye of the perfect storm. The convergence of the global economic downturn, escalating worldwide food prices, a dearth in basic food staples, and the human necessity for daily food consumption, has placed the food industry first and foremost with several levels of government.

Industry Best Practices

The food industry will perform to meet or exceed expectations. Efficient yet effective operations are necessary like never before, and participation in humanitarian relief efforts on any scale, is anticipated. Over the course of this year, Food Fax will provide information, commentary and advice on the best practices which provide quality products and services, maintain top line revenues and buttress reasonable bottom line profits. In addition, industry specific programs to divert food and aid to those without purchasing power will be profiled. **FF**

Some Web sites

<http://www.cwb.ca/en/farmers/producer/daily/>

<http://news.bbc.co.uk/2/hi/europe/4407792.stm>

<http://www.abc.net.au/news/stories/2008/04/30/2231223.htm?section=world>

© 2008 International Food Focus Ltd., 211 Carlton Street, East Office, Toronto, ON M5A 2K9 T: 416-924-3266

F: 416-924-2726 E: focus@foodfocus.on.ca

Food Fax is archived @ our site <http://www.foodfocus.on.ca>