

Plenary 2 – Trade: The Role and Reward for States and Provinces

SECRETS TO SUCCESSFUL TRADE

Senator Curt Friesen moderated this plenary, and posed the questions ‘How do you start international trade?’, and ‘What are some of the problems you run into?’ He then introduced the first of two speakers who are prepared to answer these questions.

Norm Krug, CEO, Preferred Popcorn. Mr. Krug gave the background of his company. He began with a group of three farmers working together in 1998 to form Preferred Popcorn. They took over a plant that was vacant and with no current customer base. They were expert at growing popcorn, and had the equivalent of 300 semi truckloads of popcorn. Sales were difficult, so Norm began selling. The first call was to the University of Nebraska; however the university only bought one truck’s worth a year. This meant he had to broaden his customer base significantly, and think beyond the population of Nebraska. That led them to think about trade and export.

Growth

Since its inception, they have acquired a number of other popcorn plants, including an organic plant, and produce popcorn in ten states. Chapman, Nebraska, where they are headquartered, has a population of 292. He has found that people are the same all over the world, and they want someone who tells the truth, is honorable, and has high integrity.

He told of approaching the chairman of a large corporation in Tokyo and gave him a University of Nebraska t-shirt, which the chairman proceeded to wear to the board meeting. This resulted in a major sale. It just takes someone who is friendly, honest and has a good product.

This allowed them to grow further. They have a large plant in Indiana, across the river from Louisville, KY, which allows them to ship their product easily. They are building a new plant with state of the art mechanization, one of the largest in the world.

They trade with 70 countries, including the Middle East, Asia and Mexico. One third of all the popcorn that leaves American each year comes from their facilities. They did this through good relationships.

States Assist Through Trade Missions

How can state government help expand trade for a small company like them getting started? One of the answers is Trade Missions, which he believes are very helpful and worth the cost. They give credibility. Be prepared for competition in international trade from other producers and companies. If a producer doesn’t want the business when it comes to trade, someone else will be happy to step in. You do have to physically go to these countries. You can’t expect the world to come to you. You have to tell them your story.

Government has helped Preferred Popcorn. The county is helping them build a new road to the new site. The state government has helped as well.

Export Import Bank

He advised that farmers use the programs that are out there and available. EXIM Bank is very important to his company, because they are familiar with international trade and economies. They insured their shipment to Jakarta, and the customer pays them. In the 20 years, there have been

only two instances where the EXIM Bank had to come in and collect. And they did. It gives a company credit for the receivables, which other U.S. banks would not.

When you are on a trade mission, take along people who can seal the deal. Trade mission people aren't able to really sell anything, so you should take someone who can, not organization people who don't have a load to sell.

ECONOMIC UPDATE AND FORECASTING

What the Future Holds

The next speaker was introduced - Peter Hall, VP and Chief Economist of Export Development Canada. He started by claiming that he is wildly passionate about what it is the attendees are doing, and what its prospects are going forward. He noted that the United States is the biggest and most efficient economy in the world, and anybody who is a small player inside a rural community in a country of the world who wants to take the world on can. Preferred Popcorn is living proof of that.

In his role as an economic forecaster, Mr. Hall must try to see the future. He wanted to open a window of what the opportunity is going forward. Historically, the agriculture sector of a nation's economy starts off as the bulk of what goes on in an economy, because primarily you have to feed yourself. It's the largest part of GDP, together with the food processing sector. But if a country is going to be prosperous, that is going to shrink over time due to mechanization, productivity, and fewer people are going to be needed to produce the food. The political base and influence shrinks, which is good for the economy but not for the producers.

Payback Time

Mr. Hall has seen things turn back around to the point where there is a lot of power inside the agriculture sector, and international data proves this.

- Rural growth is coming back, and the growth is sustainable
- Long-run growth is not local – it is in developing nations, especially China
- Middle class increases in developing countries will spur this growth

What is this dynamic adding?

Census figures don't tell the whole story. One must look at how much food these countries are producing, and then the amount of food they will need to consume based on the population projections.

Net dependency on the rest of the world is increasing for these countries, including China, shows that there is a growing need for importing - between 15-20% compound annual growth. This enervates growth across the agrifood continuum. To create caloric intake from the consumption of meat takes 7-10 times the amount of grain than it would if you would just consume that grain by itself. The prices of all these inputs – grain, fertilizer, ag machinery, etc. – will rise.

Globalization coupled with efficient technology has brought parts of the world together in a way that we have never seen before, which is assisting in opening up the economies that in the past were not included.

The failure of the TPP was discussed. The Australians and New Zealanders were telling the world that deregulation works. As the need arises, driven by a population and the need to integrate trade, the pressure on China and the pressure on India to come to the table and acknowledge more of their need is only years away. It behooves us to understand what the dynamic is, but not to expect the other side in negotiations to acknowledge their need.

Key points

- These countries are going around the globe trying to secure their food for the future. Once you secure a contract in China or other countries, they are looking for reliability and consistent deliverables.
- Political stability is important.
- If we don't move, other competitors will take over.
- Our food governance systems are superior to those of developing countries, giving US/Canada the advantage to provide product from cradle to grave.

Policy Considerations

Access needs to be secured. Free Trade Agreements, Double Taxation Treaties, Investment Protection Agreements are fundamental to securing the flows of trade within this system.

We need to make sure that our food governance continues to meet their standards.

We need to make sure that we are not afraid of international diversification or building up scale through merging of former competitors.

Streamlined Infrastructure is essential.

Access to financing is critical.

Connections are absolutely essential. Trade Missions and making bonds with customers, as well as providing financing to foreign countries who will then include Canadian companies in their production chain.