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Manitoba is in a key position to implement an agri-health strategy

Functional food business a tough sell

BY LORRAINE STEVENSON
Co-operator staff

Scott Sigvaldason sold part of the family's 106-year-old farm, rented out the rest and invested about \$800,000 of his own money to develop a product that could provide his fellow Canadians with a healthy alternative to rice.

Yet still he found himself confronting business moguls on the reality television show "Dragon's Den" this year seeking a capital investment that could get his fledgling company off the ground.

Sigvaldason is the product developer of Cavena Nuda, a hullless oat, that looks, cooks and tastes like rice.

You could hear the dragons wince when he described how much he has personally invested into the company. "My father is shaking his head in his grave and asking 'what the heck has he done?'" he confided to millions of television viewers Oct. 14.

"Scott, doesn't that tell you something?" shot back fiery-mouthed Kevin O'Leary. "You're selling the family cutlery to pursue this."

Making the pitch

As if Sigvaldason can't see that. That's why he was in the "Dragon's Den" in the first place.

The farmer's reality TV pitch for investors to help him advance a food business illustrates the kind of hurdle facing would-be players in the emerging functional food sector.

Expertise for research and food product development abounds, but the cash to utilize it by no means grows on trees. Food entrepreneurs who do come up with a great product then find market development and product commercialization very tough and expensive.

"I think we'll all say that the commercialization piece has been the slowest to happen," says Lee Anne Murphy,



LORRAINE STEVENSON

CCARM: Manitoba is in a key position to advance a national agri-health strategy for the benefit of public health and agriculture, says Canadian Centre for Agri-Food Research in Health and Medicine research team leader Peter Zahradka.

co-ordinator of the Manitoba Agri-Health Research Network (MARHN).

The MARHN consists of three Manitoba-based organizations: the Centre for Agri-Food Research in Health and Medicine (CCARM), Richardson Centre for Functional Foods and Nutraceuticals and the Manitoba Government's Food Development Centre.

This province is home to the Canadian International Grains Institute (CIGI), the AAFC's Cereal Research Centre, and University of Manitoba's departments of human nutritional science and food sciences. Manitoba Agriculture Food and Rural Initiatives staff also provide expertise to help Manitobans advance food business ideas.

Capacity

With all this infrastructure in place, Manitoba is well positioned to implement the kinds of strategy a federal think-tank, the Canadian

Agri-Food Policy Institute (CAPI) proposed this summer, including the development of a concept of a "Canadian diet," to emphasize the nutritional quality of foods produced by domestic

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— LEE ANNE MURPHY,
CO-ORDINATOR OF THE MANITOBA AGRI-HEALTH RESEARCH NETWORK (MARHN)

farmers, such as pulses, canola oil, and whole grains.

"We've had that capability for quite a while," says professor of physiology Peter Zahradka, who is the leader of the CCARM research team and also chairs the MARHN network.

But food-related research and development isn't exactly flush with cash either these days.

For example, the CCARM team in April released findings showing a diet containing pulses can help those suffering from peripheral artery disease, which thickens leg arteries and makes walking

difficult. The researchers saw major improvement in blood vessel function after eating pulses every day for eight weeks and note that no drug has shown the same benefit.

What's next for those investigations? It's uncertain for now, according to Zahradka.

"It's languishing because there isn't any money to

CAVENA NUDA / 2

Meeting the demand will be next to impossible given the fungus is common in canola seed

Chinese demand blackleg-free canola

BY ALLAN DAWSON
Co-operator staff with files from Reuters and Resource News

China's demand that Canada start delivering certified blackleg-free canola starting Nov. 15 will be tough to fulfil because the fungus disease is common here, says Canola Council of Canada president JoAnne Buth.

But she says the Canadian government and canola industry are working hard to restore access to one of Canada's major canola customers.

Last crop year, Canada exported 2.6 million tonnes of the oilseed to China making it Canada's biggest export customer. However, historically sales to China have varied.

A Canadian delegation of experts from the Canadian Food Inspection Agency and Agriculture and Agri-Food Canada were to arrive in China this week to try and address China's concerns while maintaining Canada's access.

Chinese buyers have cancelled at least two cargoes of Canadian canola for November and December shipment. Buth declined to speculate Monday on what would happen if they failed.

"Our main goal is for the (Canadian government) delegation at the very minimum to negotiate an extension (from Nov. 15) in order to work out some of the details and hopefully reverse the decision or find a different path," she said.

ICE Canada November canola closed down four per cent Oct. 22 with traders saying China's new import restrictions led to the drop. Meanwhile, the price of Chinese-produced canola increased leading some observers to speculate the restriction, which also applies to Australian

BLACKLEG-FREE / 2

INSIDE

LIVESTOCK

- PEET: The art (or science) of fostering piglets 17

CROPS

- Cut losses by handling late-harvested crops with care 13

FEATURE

- "Managing supply" could be option for hog farmers 24

COUNTRY CROSSROADS

- Waiting game's no fun for gun enthusiasts 28

REGULARS

- Editorials 4
- Comments 5
- Grain Markets 10
- Livestock Markets 11
- Weather Vane 16
- What's Up 21
- Recipe Swap 29
- Classifieds 33

In Brief...



Equipment dealer eyes Enns: Calgary's Rocky Mountain Dealerships has signed a deal to buy Case IH dealer Enns Agri Sales Ltd. at Winkler, Man., about 110 km southwest of Winnipeg, for an undisclosed sum. The sale is expected to close on or about Nov. 1, the publicly traded buyer said Oct. 20. With Enns, Rocky Mountain would operate 23 dealership branches across the Prairies, including six in Manitoba. Enns, which also sells Yamaha and Land Pride Equipment, made \$13 million in sales in its most recent fiscal year, Rocky Mountain said.

Agrium offers stake in N plant: Agrium plans to sell half a nitrogen plant to the takeover target of its takeover target. Agrium said it hopes to clear the way under Canadian competition law for a hostile takeover of U.S. rival CF Industries by selling a 50 per cent stake in its Carseland, Alta. nitrogen facility to Terra Industries for US\$250 million. The plant makes ammonia, urea and the "controlled release" urea products ESN and Duration. Terra since January has fought off bids from CF, which has resisted Agrium's bids since February. The sale is conditional on Agrium's takeover of CF.

Show your 4-H colours: To help kick off National 4-H Month in November, 4-H members, leaders, alumni and supporters will be wearing green on Nov. 4 for the annual Show Your 4-H Colours event.

"Across Canada, we are so proud of the enthusiasm that 4-H members, leaders and supporters show," said Judy Shaw, president of the Canadian 4-H Council. "By wearing green, people involved with 4-H can showcase their 4-H pride and spirit in one unified way."

4-H has played an important role in the development of Canadian youth for 95 years.

Time to fall back: Manitobans are reminded that daylight saving time will end in the province early Sunday, Nov. 1 when clocks will be set back one hour. Under the Official Time Act, daylight saving time ends on the first Sunday in November and resumes the second Sunday in March. The official time change back to standard time will occur this year at 2 a.m., Sunday, Nov. 1 at which time clocks should be set back to 1 a.m.

— Manitoba Government release

BLACKLEG-FREE

/ FROM PAGE 1

canola (but as of last week not American) is a non-tariff trade barrier. Adding to that speculation is the fact that Canadian canola seed is not grown in China, but crushed for its oil and meal. Blackleg affects neither.

Both said it's difficult to know whether China's new requirements are legitimate or a means to block imports. China acknowledges blackleg exists there, but officials claim the strains are not virulent.

"There have been times when we have gotten quite a bit of cooperation (from China) and I'm hoping this is going to be one of those times as well," she said.

"There has to be quite a bit of discussion about how China can minimize the risk of any blackleg being spread from Canadian canola."

One industry source said it's rumours China is retaliating because of Canadian restrictions on imports of Chinese honey.

Both praised the federal government for acting so quickly.

"Clearly it's an important issue for us so we really appreciate the fact they are taking this seriously," she said.

"The industry and the government are really committed to working on this together."

Agriculture Minister Gerry Ritz told Reuters last week Canada grows the best canola in the world and the Canadian government will stand up for Canadian growers.

Canada's swift dispatch to China of officials was welcome news to farmers, said Todd Hames, an Alberta canola grower and official with the Canadian Canola Growers Association.

"Our main goal is for the (Canadian government) delegation at the very minimum to negotiate an extension (from Nov. 15) in order to work out some of the details and hopefully reverse the decision or find a different path."

— JOANNE BUTH

Canadian Embassy officials are already in contact with their Chinese counterparts, CFIA spokesman Tim O'Connor told Resource News.

"We want to highlight that this is not a food safety issue, rather it is a trade and market access issue," O'Connor said.

Chinese buyers have already booked more than one million tonnes of new canola crop from Canada, said one trader with an international trading house in China.

Traders said that China's restrictions would stop imports completely. Chinese buyers said they did not dare to book more cargoes.

Chinese quarantine authorities have not informed buyers in China and could not be reached immediately for comment.

"Some cargoes cannot be washed out, who will take them? We would see how authorities tighten inspection," said one Chinese buyer.

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CAVENA NUDA

/ FROM PAGE 1

continue with that work," he said. "We're hoping that some funding will come soon."

Lack of investment

The problem he sees is an overall lack of public investment both for research and development and for the kinds of product innovation work required to get more Canadian-grown functional foods to market. Dollar for dollar, we're still investing far more to fix existing health problems, than preventing disease through better diet, Zahradka says.

The pay-back from the latter approach would not only improve Canadians' health, but shrink the health-care budget. Diet-related chronic diseases presently consume a full two-thirds of the health-care budget.

An approach of health prevention through encouraging consumption of wholesome Canadian-grown foods also might help clear the kinds of costly hurdles products such as Sigvaldason's hullless oats currently face getting to market.

One Manitoba initiative funded under the APF — ending March 2008 — focused on Manitoba-based products was the Manitoba Functional Food Opportunities Program.

The \$1.5-million program directly involved growers and focused on the identification, isolation and characterization of functional ingredients with near-term market potential. The MFFOP supported 10 separate food-related projects

including market development for flax-based products, developing novel beverages with saskatoon berries, evaluation of a value chain for forage-finished beef, and others.

"We've learned from MFFOP that engaging producers, being very targeted and then trying to reduce some of that start-up risk by using our facilities would be a way to advance," said Murphy.

Technical consortia

That program preceded the formation of MARHN, which is now taking a cue from it and engaging in a new initiative: helping growers' groups form technical consortia with researchers and small to medium enterprises. Until now, there's been no mechanism to link these players, noted Murphy.

Consortia can help leverage resources to focus research and development, help mitigate startup risks by encouraging investment in commercial-scale production, and get farmers closer to the table so they don't end up as merely price-taking, raw ingredient suppliers. The consortium model is set up so that each party has a share position that will allow the party to receive a royalty should they wish and should commercialization occur.

There's clearly interest in forming these groups. Several producer groups, including the Manitoba Pulse Growers Association are expressing interest. The National Sunflower Association has recently agreed to form a technical consortia with MARHN. So have buckwheat growers.

Classic example

Manitoba's buckwheat crop is a classic example of a health-enhancing food crop in limbo for lack of funding to go anywhere. Research at CCARM has shown buckwheat may be able to help people with diabetes manage their blood glucose levels. But acres are now on the decline, and there are few dollars from checkoff to fund further research and development.

Buckwheat growers hope that forming a consortia will help them figure out the value of buckwheat as a functional food will be to farmers, said Manitoba Buckwheat Growers Association director Les McEwan.

But, once again, cash is the thing.

MAHRN and grower groups that form consortia will need to work with researchers to develop targeted, three-year, research proposals for consideration.

Those will then be put forward to the Strategic Innovation Fund, under the Growing Forward program. The SIF supports investment in initiatives brokered by the province among government and industry stakeholders.

Extreme sport

As for Sigvaldason, he got the \$250,000 he asked for in the "Dragon's Den." But he gave up a 50 per cent equity stake to get it.

In a recent *Winnipeg Free Press* interview he remarked that "after 20 years of farming as an extreme sport, going up in front of the dragons didn't intimidate me in the least."

The question remains — why should he have to?

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Open your gates to AGRI-TOURISM

"The alternative crop of the future"

A one-day workshop in four locations on developing a Tourism Business in Rural Manitoba. Workshops run from 9 a.m. – 4:00 p.m. with registration and coffee at 8:30 a.m.

Pineridge Hollow, Oakbank **Monday, Nov 2**
Walnut Street Tearoom, Carman **Tuesday, Nov 3**
Riverbank Discovery Centre, Brandon **Wednesday, Nov 4**
Rossman Yurts, Rossburn **Thursday, Nov 5**

Registration Fee: \$30 includes lunch, manual, and a chance to purchase Cultivating Agri-Tourism resource for \$10 (reg. \$29)

Registration Deadline: Wednesday, October 28, 4:30 pm

To register and for more information email Karen.walker-tibble@gov.mb.ca or call 204-821-5322



What is the Manitoba Agri-Health Research Network?

- The Food Development Centre at Portage la Prairie is a special operating agency of the Manitoba government and is involved in the development of grains and oil-seeds, fruits, vegetables, meat and bakery products for the supermarket shelf, as well as agricultural products for health. The FDC operates under a licence from the Canadian Food Inspection Agency, providing a place for food entrepreneurs to produce and market products onsite for sale across Canada and around the world.
- The Canadian Centre for Agri-Food Research in Health and Medicine is a unique-in-Canada medical research facility studying the health-related effects of functional foods and nutraceuticals, providing the scientific community and the general public with reliable, scientific evidence-based information. It was jointly developed by St. Boniface General Hospital (SBGH) and the University of Manitoba.
- The Richardson Centre is among the advanced facilities in Canada for researching value-added functional foods and nutraceuticals. It focuses on developing health-enhancing products from traditional Prairie crops, such as oats, canola, buckwheat, flax and hemp. RCFN researchers partner with University of Manitoba scientists to identify bioactive compounds that offer health promotion, performance enhancement, and disease prevention and management.