

Will We Be Told How to Raise Pigs? - A Packer's Viewpoint

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■ Introduction

Will we be told how to raise pigs? Despite its simplicity, this question is in reality quite complex and, like most important questions, the answer is a combination of "Yes," "No," and "Maybe." In this paper I will deal with this complexity by describing the context of the pork industry i.e. our place in the larger society, and by suggesting actions and strategies that will contribute to the continued growth and development of one of Canada's most important industries.

■ A Short History Lesson

The development of our industry has paralleled the developments in all of agriculture and all of industry. The pioneers who created Western agriculture began with hopes for starting a new life farming the rich and fertile soils of the Prairies. They settled on homesteads with the promise of good fortune by growing wheat and other grains, first to feed themselves and their livestock, and then ultimately to export to a hungry world. For the most part, grain was their primary focus since Western Canada was touted as the "breadbasket to the world" and high quality milling wheat was the main agricultural commodity. High quality wheat was a result of the Western climate and soils, the famed "natural advantages" that are often referred to by economists.

During pioneer times, most farms had livestock such as horses for draught animals, and pigs, poultry, and beef cattle for both home use and for sale to the small rural towns that were springing up across the prairies. These were the beginnings of the Canadian and western Canadian pork industry.

The rest, as they say, is history. Our industry has continued to grow and evolve with some farms specializing in pork production. For the most part this evolving pork industry served the domestic and North American markets well, with only a small percentage of pork production being exported to other markets throughout the world.

Over the ensuing years, Canada's pork industry continued to grow and by 2001 we became the number one pork exporter in the world. A truly impressive achievement indeed! These developments have also resulted in an unprecedented scrutiny of our industry from the perspectives of environmental performance and animal welfare, on top of the never-ending competitive pressures from other countries and other products. Throw in rapid technological change, new and intensive methods of raising pigs, instant global communications, and we are in a brand new world. A world fraught with perils and opportunities.

■ The Pork Industry in Context

Appreciating the context of the pork industry is crucial because any enterprise, from the smallest farm to the largest processor, must know and understand its "place" in the larger scheme of things. Context can be described as the "environment" within which we work and I do not just mean the physical environment. We have a "market environment" within which we must compete. We have a "public policy environment" within which we must work. And of course, we have the "physical and biological environment" where we are located. Doubtless there are other ways of describing the context of the pork industry but these will do as a start.

■ Industry Must Respond to the Market

In terms of the "market context" I don't think that there is any doubt that we take our cues about how to raise pigs from the marketplace. ***It is a foolish industry that does not respond and adapt to market signals.*** The world is littered with failed companies who grew remote from their customers and pursued paths based on their biases and preconceived notions about how the world "should" be as opposed to adapting to the world as it is. Take an old Canadian icon, Eaton's. At the turn of the century Eaton's stood astride the retailing industry like a colossus, dominating trade and having a department store presence in the largest Canadian cities and a catalogue presence in every town, hamlet, and farm. Well, we know what happened to Eaton's; its agonizing demise, stemming from a complete misreading of marketplace trends, was front page news for the better part of a year. As an aside, just think how far ahead of

its time Eaton's was with its catalogue business and what a dominant position they could have had in this new world of Internet shopping.

The North American automobile industry narrowly escaped the same fate since for years the Big Three presumed to know what was good for its customers. Well, the Japanese actually determined what the North American car buyer wanted and built cars accordingly. I guess we can say that consumers "told" the Japanese how to build cars but these were market signals that the manufacturers took to heart and responded to accordingly. Thanks to a willingness to change, and just in time too, the North American automobile industry regained its footing and now produces cars and trucks as good as any in the world. Competition works for all of us.

Raising pigs and marketing pork is not different from other industries. Understanding the "market environment" i.e. our customer, is vital wherever he or she may be throughout the world. And we are in a world market, dependant on exports, and subject to competitive pressures that may spring up at any time and from any place. At Maple Leaf we call this "interpreting the voice of the customer." Our research shows that consumers want and demand the following:

- Good Value
- Fresh and Nutritious Food
- Healthy and Safe Food
- Flavour
- Consistency in all of the above

The pork industry in general has made excellent progress in recent years to fulfill these demands, especially in the area of a leaner pig. Leaner pigs and faster growth rates, brought to us courtesy of modern science and technology, allow us to bring a higher quality animal to market than ever before. It used to be that pork was considered one of the fattier meats and now an industry slogan is "*Pork; The Other White Meat*".

■ The Signature Pork Program

Maple Leaf has introduced the *Signature* buying programs. With several different programs ranging from one to five years in length, producers can choose the program that best suits their individual needs. Signature Programs incorporate: competitive, transparent formula-based pricing; specifications showing preferred live hog and hog carcass characteristics; and a choice of grids with loin-eye premium table. The Signature buying programs are the first

step in establishing a coordinated pork supply chain, through a mutually-beneficial long-term relationship.

Another very important component of the Signature Program is that producers must be Canadian Quality Assurance (CQA) validated. Quality assurance practises are not limited just to hog production, but are incorporated into all aspects of the pork supply chain. The Canadian industry has done an outstanding job of building a reputation for quality around the world, as evidenced by our first place standing in pork exports. The CQA validation provides consumers with the proof and subsequent comfort level required not only to maintain but to expand our pork markets throughout the world. Maple Leaf showed leadership and continued support of the CQA initiative by having a price differential between validated and non-validated hogs as of November 5, 2001. CQA and on-farm HACCP programs and initiatives will continue to be part of all food production programs at Maple Leaf as we go into the future.

I have been asked the question, "Where do we go from here?" I can tell you that Maple Leaf has adapted a policy entitled, *Move To The Right*, and by this we simply mean that with the consumer voice or preference in mind, we will continue to add value every step of the way. The pork industry, like so many others, takes or should take its direction from the consumer, provide the product to the marketplace, and only then can we optimize industry returns. As an example, our Lethbridge plant requires a very specific weight of hog with slightly more back fat and extra marbled muscles. We continually research consumer needs and our company's performance through pork taste panels and will continue to do so. As we gain more knowledge we will be able to come back to industry with recommendations on more desirable genotypes and nutritional programs in order to meet our customers' demands for improved consistency and quality.

The makings of a world class business begins with an understanding of the context within which that business operates. At Maple Leaf we view ourselves as placed between the producer on the farm and the grocery retailer in the city. This is a "lynchpin" position, which requires us to be aware of the needs of both farmers and grocery retailers. We are the first "point of contact" for each end of the pork supply chain, a position that we take very seriously. It is in our own interest to ensure that both farmers and retailers receive value when dealing with Maple Leaf. Simply put, without the pork producer we would have no pigs to process and without the food retailer, we would have no markets. While it may seem contradictory, it is in Maple Leaf's best interests to ensure that our producers receive good value for their pigs and that the food retailer is able to purchase pork at the best possible price.

In terms of service to producers we now refer to our buyers as "service people" whose job is to provide a valuable buying service to our producers. In my own country meetings with producers I am now being told, by farmers, that Maple

Leaf's fresh new approach to pig buying is, quite simply, a breath of fresh air. Producers know what is expected of them and, if they deliver, that Maple Leaf will guarantee a fair rate of return that they can, literally, "take to the bank." By creating loyal and dedicated producers, Maple Leaf will ensure the best product at the most competitive price for our customers.

■ Conclusion

In terms of the market, it is quite clear that when we are asked the question "*Are we going to be told how to raise pigs?*" the answer is *yes*. You never win an argument with a customer; customers are talking and we better listen.

The Canadian food industry is at a crossroads. Canada is able to market food products that can compete anywhere in the world and global trade has given us the opportunity to shine. Maple Leaf is very proud of our Canadian heritage and we are excited about the possibilities of being a leader in the growth and expansion of Canada's pork industry.