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NEWSLETTER

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Commission Boardroom Goes on the Road

Keeping in touch with your industry often means hitting the road to talk to your clients in their own backyard. That's the driving force behind the Commission's annual fall tour.

This year's itinerary roughly followed the Lake Erie shoreline from Tillsonburg to Windsor.

First stop was Kerry (Canada) Inc. located in Woodstock. The Irish-based company is a leading manufacturer of dried cheeses for sauces and coatings sold to further processors. Kerry's process contributes to products such as Lipton's pasta dishes and batters used by Janes Family Foods.

The company recently doubled the size of its only Canadian plant. While supplying the Canadian market from its Woodstock plant, most of the plant's output is exported. Sales in the final quarter of the year are up in anticipation of Y2K problems that are prompting customers to stockpile.

Our next stop was the black tobacco farm of Bill Clendenning in Blenheim. While not a regulated commodity, the meeting provided an interesting contrast to the flue-cured sector that filled our third day. Clendenning's labour-intensive operation is unique from its flue-cured cousin. When the leaves are hung in the kiln, a smoldering fire smoke-cures the leaves. The crop is sold almost entirely to Holland where it is mixed for snuff.

Feurth Sheep Farm and Abattoir rounded out the first day's tour. Operated by Carolyn and Rick Feuth, the 600-ewe business is a large commercial sheep operation by Ontario standards. Their Windsor-based market is dominated by sales of BBQ lambs. The Feurth's, who plan to expand to a 1000 ewe operation next year, believe that the greatest market potential lies in replacing New Zealand lamb in the food service market.

Our tour of Family Tradition Foods in Tecumseh was lead by plant manager, Steve Tultz. Exhibiting the kind of enthusiasm normally reserved for the owner of a business, Mr. Tultz was obviously very proud of the renewed vigor in this Ontario vegetable processing plant. Since the plant was bought by John Omstead in 1994, the half million square foot facility has doubled its production from 10,000 acres of vegetables to 19,000. During the same period, the company has also expanded its business plan to value-added activities including expansions in dry and frozen food distribution.

While we were on site, the plant was processing carrots. As with Ontario-grown peas, beans and corn, the vegetables are processed and frozen in bulk. The packaging of these frozen vegetables for retail and food service goes on year round. Their canned vegetables are seasonally processed and warehoused.

The money invested in Quality Assurance and Management Information Systems was obvious at every turn that our tour took. A frozen package of carrots, for example, can be traced back to the farm that grew them. According to Mr. Tultz, "We can give a customer definitive answers right away which is imperative in the event of a food scare."

The Commission's next focus was the booming greenhouse vegetable industry in Essex County. Greenhouse Vegetable Board director, Mr. Matt Dick, led the tour through Erie Shores Growers' Ltd., a co-operative venture which packs and distributes tomatoes, cucumbers and peppers for smaller greenhouse operators in the area.

Great Northern Hydroponics specializes in tomato production. When current expansion is completed, it will have 64 acres under plastic. Pursuing the lucrative American market has led this producer and others to cultivate bigger, redder varieties. Market research showed that was the American preference. The result has been a jump in sales south of the border. "Five years ago, Canada had less than .02% of this market but now we account for 10% of the fresh, premium market" according to owner, Jay Colasanti.

Although artificial lights are used when the seedlings are starting to grow, the crop relies on natural light for the rest of the year. Operating lights year round would cost \$125,000 per acre. While money isn't invested in light, it is invested in bees. Approximately \$50,000 worth of bees do all the pollinating in the greenhouse.

A new sorting machine recently installed by Great Northern ensures that each retail customer ordering 11 lb. flats of tomatoes gets exactly 11 lbs. Mr. Colasanti explained that when they hand sorted and packed, it was typical to over pack by about a half pound per flat. Each year that meant giving away about \$300,00 of produce. One year's savings just about pays for the new sorter.

Where are most of the U.S.-bound tomatoes going to show up? The answer is Florida.

Jamie Cornies is a second-generation hydroponic cucumber producer. He is in the business year round. His biggest costs are labour, fuel and fertilizer, in that order. Like Colasanti, Mr. Cornies has to work hard to find and keep dependable labour. Cornies Farms Ltd. offers a housing plan and a profit sharing plan to attract local labour. Mr. Cornies says they can't count on offshore labour to fill all their needs.

One cucumber seed imported from Holland costs his operation 60 cents and he has 6,500 plants/acre for a total of 56,000 plants in his greenhouses. At the time we toured in late October, the price for a dozen cucumbers F.O.B. Quebec was \$13. In Mr. Cornies opinion, Ontario can compete head-to-head with their main technical rival, the Dutch.

The Commission's focus turned to flue-cured tobacco on the last day of the tour. Auction staffer, Larry Boughner, reported that 1999 was not one of the industry's better quality crops and production is higher than what was allotted. The auction will sell about 700,000 lbs. of leaves every day between October and March. What is sold today could be stored for five years before it fills cigarette packages.

The biggest single buyer of these leaves is Imperial Tobacco. At Imperial's Aylmer green leaf processing plant, an overview of the process was supplied by quality assurance manager, Mr. Ken Lee. The mammoth plant and storage facility has more than 1.2 million square feet under roof and in total, occupies 69 acres. The company buys and processes 100 million lbs. of tobacco annually. In addition to processing tobacco for their own brands of cigarettes, Imperial also sells tobacco to export buyers who use it to blend their own brands.

A tour of Imperial Tobacco is a fiscal study in getting the most out of every leaf. Three elements in their process stood out in this regard. First is the threshing process used to make sure that not the tiniest bit of leaf remains on the stem. Secondly, the usable portion of the stem is flattened to make it a leaf-like ingredient. Thirdly, a process called the Dry Ice Expanded Tobacco (DIET) makes select leaves twice their normal volume. The DIET process is in lay terms, akin to making puffed rice cereal out of a kernel of rice. The net result is tremendous ingredient efficiency for Imperial Tobacco but also means a decrease in the amount of tobacco needed to manufacture each cigarette.

The Commission crammed a lot of discussion into three days --- discussion set in the context of where producers and processors face their challenges every day.

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Departing Chair

Mr. Don Taylor is leaving the Ontario Farm Products Marketing Commission to take on the role of Assistant Deputy Minister, OMAFRA, responsible for the Food Industry Division. Don takes on his new responsibilities immediately but will remain as Chair of OFPMC until a new Chair is appointed.

In his new role, Don will remain very involved in the marketing of food. He has responsibility for both domestic and export market development; liason with the food industry to contribute to both Ontario's competitiveness and its attractiveness to investors; and responsibility for the province's food inspection and audit systems.

Don enjoyed working with marketing boards and their processor partners through the Commission. He looks forward to a continuing interaction in his new role.

We wish Don every success in his new challenge.

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OFPMC December Update:

The following is a summary of issues recently addressed by the Ontario Farm Products Marketing Commission.

Grape Vote

The question of whether icewine and late harvest juices should be included in the Grape Board's Marketing Plan was supported by a clear majority of producers in a recent Producer Expression of Opinion Vote. Participating voters' support of the amendment was as follows: 70% of producers voted in favour and their cumulative production accounted for 72.3% of the juice being produced. In total, 73.8% of eligible voters cast ballots.

The question was posed to producers of icewine juice and late harvest through mail-in ballots. The Producer Vote was conducted between October 1 and October 22, 1999.

The Commission is pleased to see that this change is supported by both people and production. Knowing that the majority of voters also represent a majority of the industry's production gives the Commission more confidence in the validity of the vote results. The Grape Board likewise knows that it has the support and confidence of a significant majority of the producer sector responsible for icewine and late harvest juice when it represents this relatively new sector of the industry.

Chicken Allocation

After convening a five-day hearing, the Ontario Farm Products Marketing Commission has deliberated over submissions from six parties and seven interveners regarding the process for allocating live chicken to Ontario processors.

At the time of writing this newsletter, the Commission anticipates releasing its full decision in the second week of December.

A full account of the decision and background will be available on the Commission's website: <<http://www.omafra.gov.on.ca/english/farmproducts/index.html>>. Interested parties may likewise obtain a printed copy by contacting Gloria Marco Borys at (519) 826-3395.

Chicken Pricing

The Commission brought into force a negotiated agreement for the A-29 period which will see the price of chicken fall three cents. The parties agreed since the cost of feed is likewise falling. The A-29 period covers October 24 to December 14, 1999.

Board Meetings

The Commission's November meeting included discussions with representatives from Ontario Egg Producers and the Ontario Apple Marketing Commission.

Education for New Directors

A new video collection will be available in December as an extension of the New Directors' Seminar that the Commission co-ordinates bi-annually for newly elected directors.

Each video deals with a topic of interest to new directors. The topics and speakers include: John Core, "What is it Going to be Like?"; Don Taylor, "Issues Management"; Jim Rainforth, "Effective Board/Staff Relations"; Rob Wilson, "Responsibility & Liability"; and Gloria Marco Borys, "Understanding Ontario's Marketing System".

These videos can be borrowed free-of-charge from the Commission by calling (519) 826-3404.

Staff Changes

The staff at the Commission will be making two changes in December. Analyst Linda Lake has accepted a new position as a senior economist with the Ministry of Finance at Queen's Park. Ms. Lake has responsibility for wheat, potatoes, pork, coloured beans, seed corn and tomato seedlings.

Aileen MacNeil is leaving the dairy portfolio for a two year secondment as the Co-ordinator, Safety Net Policy in the Policy and Farm Finance Division of OMAFRA.

Both analysts have been strong members of the staff at the Commission and their contribution will be missed. Replacements have yet to be named.

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