NEWSLETTER

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Soybeans: Marketing Their Way Into the Mainstream

"The tofu wiener is the Model T of vegetable protein-based food" according to its Canadian creator, Yves Potvin. Today Mr. Potvin's company, Yves' Veggie Cuisine, has gone from pioneer to solid success story. Annual growth rate: 35%. His success has both spurred and mirrored the new soyfood industry.

A strong indication of this industry's growth potential is the arrival of the second wave of owners. Large, familiar names jockeying for position in the new growth market. Heinz recently bought in. Dean Foods, the largest American dairy processor, is buying the leading soymilk manufacturer. In Canada, Soyaworld Inc. was formed through a merger of Dairyworld Foods and Sunrise Ltd. to give the So Good brand of soymilk a significant presence. Kraft Foods bought Boca Burger because of their soy-based production know-how.

Kellogg's is a unique entrant in this market because they have been here before. Dr. Kellogg was an early pioneer in the health food industry. In 1907, the company sought a patent for a meatless wiener. It never went anywhere. A century later, the company is returning to the market. Kellogg's recently bought a leading meat-alternative manufacturer to incorporate its successful meat-substitutes as ingredients in Kellogg's frozen meal entrees.

Distribution and marketing muscle is what these multinationals represent to soyfood. They will be very important as soyfoods move out of health food stores and into mainstream retailers. They can put these foods in front of millions of everyday consumers. Their names add credibility to the products.

With all this high stakes business action, the market is experiencing broader availability of an increasing number of soy-protein foods. One left field indicator is Starbucks mug of soymilk latté. Is it an odd ball product or the tip of the iceberg? Put in context, who would have guessed people would buy a cold coffee before Tim Horton introduced Iced Cappuccino?

Affect on Farmers
All this activity is good news for soybean producers whose commodity prices are dropping. According to Kim Cooper, marketing manager for Ontario Soybean Growers, Ontario is developing its reputation as a supplier of high quality, food grade soybean. About 10% of what we grow now is food grade with the rest going for oil. As new products are developed and marketed, the demand for food grade beans will go through the roof. Ontario produced 2.5 million metric tonnes of soybeans last year, and Cooper sees an overall increase in volume lead by the food-grade varieties.

Ontario's production mirrors that of the rest of the world. At present, only 10% of soybeans are used for food and most of that is in Asia.

According to John Groenewegen of JRG Consulting Group, "Canada is a net exporter of soybeans but a net importer of all soybean-based products. There is a large opportunity as this category grows." Echoing Kim Cooper's point, Mr. Groenewegen added, "In Ontario we grow high quality, food grade soybeans," so the raw material is right in our own backyard along with the consumers.

Mr. Groenewegen feels, "as growers, we might traditionally think of a soybean as an oilseed. But the tradition of squeezing out the oil and putting the protein by-product into the feed market is neglecting the new trend that makes the protein the more valuable part of the soybean."

Average Consumers Chasing Health
Eighty-five percent of consumers believe the connection between diet and health is strong. "You Are What You Eat' has moved beyond trite slogan. It is becoming a full-blown consumer trend driven by baby boomers and their children according to Faith Popcorn the futurist best known for spotting the 'cuccooning' trend among baby boomers. Her prediction appears to be playing itself out. Consumer research by Vancouver-based, Yves Veggie Cuisine tells them only 10% of their soy-based products are bought by vegetarians. So 9 out of every 10 people popping this food into their grocery carts are looking for health advantages in their everyday diets. They still eat lasagna, but it might have veggie ground round instead of the beef. They still pour milk on their cereal, but now it might be bean-based. This is a main stream trend with products familiar to consumers.

The health status of these soybean-based foods got a significant shot in the arm thanks to the U.S. government's stamp of approval. Qualified products south of the border will display the following claim along with a bold heart logo: "soy protein may reduce the risk of heart disease." The full claim is more formally written but consumers are getting the message that eating foods with soy protein can make you live longer and healthier. (Illustration of logo here) The United States is the only country with a legislated definition for such a health claim.

The ground swell of health claims actually started appearing as far back as 1995. They include such health benefits as helping to protect us against cancer; reducing cholesterol; building healthy bones; and reducing hot flashes during menopause. All of these claims hit a nerve with the baby boomers who will spend to achieve health.

Is it another health fad? It doesn't look like it. There seems to be ample scientific evidence to support these claims and put soybeans into a credible, long-term position as an important part of a balanced diet. In addition, some regulatory barriers have fallen too. Health Canada's decision to allow the fortification of non-dairy beverages was one. This allowed Canadian pioneer, SoyaWorld, to add calcium and vitamins to its So Good brand of soymilk making it much more milk like.

Food processors are responding by making soy-based foods that are easy to use and taste great. Taste improvement is almost a constant evolution in Yves Potvin's successful company. With a staff of 220 and 21 different products, Potvin invests heavily in product R&D. He also remembers that his first efforts in 1985 resulted in 35 cases of tofu wieners of which he put 17 cases in the garbage. With 14 billion hotdogs eaten everyday in North America, Potvin figures the early screw ups where just part of the product evolution. Now on the verge of launching a new product, the Good Dog, Potvin hopes to capture the health craze by offering a wiener that delivers 30% of your daily soy protein. Yves Veggie Cuisine already holds a 46% share of the U.S. market for refrigerated meat alternatives and likewise dominates in Canada.

The soy industry is trying to make eating soy easier. Peter Golbitz of Soyatech, a Maine-based oilseed consulting firm, remarks, "what is easier than opening up a two-litre carton of soymilk and pouring it into a glass. It is the no-brainer for people trying to get soy into their diets." This sentiment is echoed by Dr. James Anderson of the University of Kentucky, the advocate of high-fibre diets who encouraged the widespread demand for oat bran. He says, "soy milk brings more to the nutritional table than any other food I know of."

Flavour has been the biggest challenge for food-grade soybeans in North America. While the Japanese prefer a beanie taste, we like the soy product to be flavoured. Now almost any flavour can be delivered. Simple evidence of this is the increasing popularity of "Soy Nuts" in the United States. Soyatech's Golbitz says, "all it took was some funky flavourings to turn this little bean into a snack food….that sells for $5/lb." Golbitz expects, "200 new soy products to be marketed in the next year and some 500 others that will start adding soy to the recipe. Many of these will be developed to take advantage of the FDA's health claim."

The infancy of the soyfood market is put into perspective by Peter Golbitz. "In the United States we have been experiencing growth of about 40% per year. In some categories, it's as much as 90%. But it's going to take a 500% increase in soymilk sates to equal just 5% of milk sales."

But for Peter Golbitz, Yves Potvin, and a growing list of multinational food giants, the soyfood market is a significant growth market in a sea of otherwise flat food categories. They believe that changing demographics and a wider recognition of soy's health benefits will fuel the market. While new innovations in taste, packaging and marketing are coming forward to satisfy the consumer demand.

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Project Soy
Project Soy's challenge is straightforward: find new uses for soybeans.

Since the project started at the University of Guelph in 1996, lots of creativity has been showcased. For the first time, the best ideas this year will be working with the University's patenting experts to ensure the ideas with market potential are secure.

The innovative soyfood that lead the pack this year was "Whole-Hearted Bagels." The healthy bagels are apparently similar to the conventional product according to developers, Christina Clark, Angela Lin and Lina Paulionis. All three are graduate students in nutritional science.

Second prize went to a soy-based lipstick made from 100% soy oil. The "Soy Images" product was developed by Wilda Lau and Vincent Sy.

Third prize was shared by more soyfood products. "Soy-Bites," as they are called by their inventors, resemble peanut butter cookies. These cookies were developed by Catherine Schluter, Rebecca Paine and Sarah MacDonald. They tied with a product called, "Crac-O-Soy" which is a tofu cracker created by Ken Keen Foong, Barbara Jean and Foong Leng Kok.

Project SOY is sponsored by First Line Seeds, Ontario Soybean Growers, Maple Leaf Foods and the University of Guelph.

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OFPMC June Update:

Potato Board Review
Ontario Potato Board Chair, Wayne Dorsey, described the past year as, "a period of significant change."

In 1999, the two former potato boards representing fresh and processed potatoes merged into one entity. With a new name and a combined mandate, the new board also had to find a new way of electing its board of directors. The combined boards had a total of 17 directors, which was reduced to six and not based on regional representation. With their new approach, growers in each district still elect a representative for fresh and for processing potatoes. That number is still 17, but they act as counselors. In turn, the counselors elect the pared down board of six. The new board feels their move is an efficient answer to the situation. The board also recently moved its office from Burlington to Elora.

The greatest challenge facing the sale of fresh Ontario potatoes is the consolidation of grocery retailing in Canada, according to the board. There are essentially three major buyers in Canada. For their own simplicity, these chains only want to deal with a couple of suppliers. This shuts out a lot of other grower/ packers.

At the present time, Ontario fresh potato growers claim 35% of their home market. The opportunity to increase market share is hampered by subsidies provided to other growing regions. According to the board, P.E.I. has benefited from federal subsidies while Quebec growers have an income assurance program which tips the economics of the fresh potato marketplace to their competitors advantage.

Those producers growing for the processed market have better market share. At present, 85% of the potatoes destined for processing in the province are grown here. In addition, Hostess Frito Lay has also been buying potatoes for a chipping plant in the United States. A situation aided by the difference in the value of our currency and, until recently, better freight rates. The board reported that Ontario is the cheapest producer of chipping potatoes in North America.

The use of arbitration to resolve contract negotiations with buyer/processors is a concern of the board. They discussed ways that might contribute to more productive negotiations and steer the parties away from final offer arbitration and toward industry co-operation and collaboration.

Chicken Appeal

In December 1999, following a 5-day hearing in early October, the Commission released its decision which determined the process for allocating live chicken to Ontario processors. Subsequently an implementation plan was filed with the Commission, some aspects of which did not conform to the decision. On May 16th, CFO filed an appeal with the Agriculture, Food and Rural Affairs Appeal Tribunal. A prehearing meeting is scheduled for June 9th, 2000.

Negotiated Vegetable Processing Agreements

The Ontario Processing Vegetable Growers and their processing partners have negotiated agreements that see increases and decreases in the prices for the various commodities. None of the negotiations required arbitration this year.

The Commission brought the agreements into force in May.

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