

You could almost throw an egg from the Kwinters' roof to the province's other major grader/processor, Burnbrae Farms. This other powerhouse is focused primarily on the retail market with extensive grading facilities for table eggs and processing facilities for new products located in the same grocery department.

Burnbrae is the company that introduced Omega 3 eggs, the vitamin E enriched egg that is also rich in beneficial omega-3 fatty acids. You might think of Omega-3 as the designer health food egg because it delivers additional health benefits and has pushed new packaging ideas onto the shelf. In so doing, it has also been able to sell for about 80 cents more than the standard price of a dozen eggs.

In Canada, egg consumption has risen about 8.1% in the past five years. That's about 180 times each one of us will crack an egg this year. That is, unless, you choose to buy eggs already cracked and in a steeple carton that looks like a half pint of milk such as Break-free Eggs. "Like Omega-3 shell eggs, grocers love these new product innovations because they can then deliver profit margins that are much greater than their normal profit margins on eggs," according to Margaret Hudson, the company's Director of Sales and Marketing.

To keep everybody happy, Burnbrae has small offerings in other niche categories such as free run eggs and organic free run. The latter can fetch as much as \$4.50 a dozen. But the mainstream new products are in the liquid category which compete directly with Egg Beaters, the frozen egg replacement so popular in the United States. Last year they launched "Simply Egg Whites" which bakers and weight lifters alike seem to treasure since

they don't have to throw away the yolks anymore. It also gives Burnbrae a market for this muscle-building by-product of the mayonnaise business. Company officials told us to watch for the latest installment, Omega Pro in grocery stores this fall. This latest liquid egg product is based on the added health benefits delivered by Omega-3 eggs, but now you can have it shell-less and with 80% less cholesterol and 50% less fat.

Day Three: Eggs and Wine

The farm of Roger Pelissero in West Lincoln hosted the Commission on day three of its tour. This family operation is engaged in pork production and eggs. The Commission toured the egg portion of Mr. Pelissero's farm, which consists of 11,000 laying hens and 13,000 pullets.

Well ahead of MacDonalds, Mr. Pelissero already uses an advanced pen design and he predicts that the industry's current size of 64 square inches is bound to increase. In the U.K., for example, cage size is expected to expand to 128 square inches by the year 2012. At present the US average is much smaller at 46 square inches and Germany's average is 72 square inches.

Roger was also one of the original 20 producers involved in the HACCP program in Ontario. He advises all producers to get going on HACCP because in his words, "our number one problem is a food scare."

When talk turned to shell versus liquid egg, Mr. Pelissero called the market developments a double-edged sword for egg producers. On

the positive side, if new egg products promote increased egg consumption that is great. He loves to see products that create new demand rather than cannibalizing on shell egg sales. But the levy structure in Canada presently leaves

table eggs supplying the support payments that make it financially worthwhile for farmers to produce the eggs that go to the industrial market. As the processed egg sector expands, the strain on the levy system is increasing. That's the negative side of the sword.

The last stop for the Commission was Peninsula Estates Winery, the latest entrant into the estate winery business flourishing in the Niagara peninsula. Located near Beamsville, Norman Beal opened the doors of his winery in August of this year. Mr. Beal's story is kind of unique in that he decided to tackle the winery business first and then set about determining where in the world he would be best to set up. As Mr. Beal explains, "I became convinced that Niagara was one of the finest grape growing regions in the world. ...(the question I asked myself was) could technology and advanced viticulture techniques take Niagara wines to the next level? A level where they are competitive with the rest of the world."

While Peninsula Estates has invested in the latest technology, they went to an Old World conductor to orchestrate the quality. Head winemaker, Jean-Pierre Colas, left Domaine LaRoche in Chablis, France and a career of french wine making to guide Peninsula Estate to its desired position in the market place. ■



Global Egg Corporation's Aaron Kwinter on plant tour with Glen Lutz of Commission.

O F P M C
Ontario Farm Products Marketing Commission
N e w s l e t t e r

Winter 2000 - Issue #83

Who Said House Calls Were a Thing of the Past?

Boardrooms aren't always the best places to discuss issues. The alternative of seeing people where they live isn't easy either, but if you put a priority on setting foot on real turf, then you make the time.

The Commission's conviction to annually hit the road and make house calls got the bus rolling in late October this year. During the 3-day trip, members and staff toured facilities and sat down for frank discussions with producers, boards, processors, distributors, and retailers.

The common outcome was greater familiarity.

Day One: Distribution and Retailing
The mecca for food distribution in Canada is not that far from home. First stop was Gordon Food Services (GFS) based in Milton. This family-owned company is a fairly new player in eastern Canada's food service distribution sector. Their entry into Canada started in 1993 when they bought Canada Packers. In 1996, they merged with Finlay Greenwood. Now GFS is the top three largest food distributors in Canada with 8,000 SKUs. Their sales will top \$500 million this year and for insurance, no single customer represents more than 10% of their sales — a lesson learned the hard way earlier in the decade.

Thin margins have meant that Canada's food distributors are either small or big with no room for a size in between. According to Sales and Marketing VP, Randy Smith, "there are over 100 in the Golden Horseshoe, but only 6 are 'broad-line' distributors....quality controls like HACCP make it difficult for the smaller guys since today's restaurateurs need food security systems."

Next stop was the retail distribution giant, National Grocers. Their Erin Mills facility works around the clock, seven days a week receiving and shipping food. The inventory turns every 2.5 days.

Operations Manager, Scott Cypher, says, "the biggest challenge to the produce division is the extreme variations in packaging from supplier to supplier." As a shipper, he is concerned with

the volume he can load in the warehouse and on a truck as well as the protection given to the product. "Uniform, interlocking and stackable is what I'm looking for" stressed Mr. Cypher.



Egg producer, Roger Pelissero, talks with Commission member, Barb Gillies.

Charlie Coppa finished our first day and the last link in the supply chain by discussing his successful, independent retail

chain, Highland Farms. The Coppa family's four Toronto-based stores are very appealing and very successful. Their Mississauga store, the only big independent left in Toronto's west end, carries 30,000 SKUs bought from over 1000 suppliers. There is no warehouse between them and the suppliers, which gives them a 15% break on margins. That saved margin compensates for the slightly

continued on page 2

In This Issue

Who Said House Calls Were a Thing of the Past?	1
General Manager Retires From Commission	2
OFPMC Update	3



General Manager Retires From Commission

David Alles



David Alles believes in Ontario's regulated marketing system. He dedicated a quarter century to helping the system wherever he was needed. Marketing boards could not have had a stronger supporter heading up the staff of the Ontario Farm Products Marketing Commission.

Dave is a principled advocate of marketing plans. At the same time he believed in the evolution of the system when change was necessary or advantageous. Above all, he wanted the boards to be relevant to their members and the marketplace. That was, to him, the way marketing boards would ensure their future.

Dave is not a front-and-centre kind of guy, so you can't read his accomplishments like a sports sheet. Staff can, however, tell you he carried the ball a lot in his career. As the Commission's General Manager, Dave worked best behind the scene, never one to look for the limelight, preferring instead to present a 'team effort.' Everyone who reported to him will tell you he created a refreshing and motivating atmosphere to work in. You didn't feel like you worked for Dave... you felt like you worked with him.

Over 100 business colleagues and friends recently took part in a celebration of his career and dedication to regulated marketing. This newsletter would like to do the same. Thanks for all the encouragement, support and ideas, Dave. We'll miss you here at OFPMC. 🏡

Who Said House Calls Were a Thing of the Past?

continued from page 1

better price that the huge chains can negotiate with suppliers, so at the end of the day, he has found the niche that lets him compete head-to-head with grocery chains.

Highland Farms' mentality for displaying fresh produce and meats together with a commitment to buying locally makes them a strong ally of Ontario producers and processors. With 80 staff

working in their produce department alone, Mr. Coppa explains his philosophy this way, "you can't market produce with less effort or the displays look like there is nothing there worth buying. Ontario is the hottest market for fresh fruits and vegetables. Our consumers will buy 600 pounds a year versus just 300 pounds in the United States. Highland Farms goes after their consumers with very visually appealing produce displays." Walking through the store, you're struck by the same attention given to product presentation in every department.

Mr. Coppa says he hears from new product manufacturers all the time and he usually agrees to work with them. He thinks that's a quality that small suppliers with innovative new products like and it also gives Highland Farms the opportunity to offer customers something that they can't get elsewhere.

Day Two: Egg Processing

Ontario has two egg dynasties located close together in Mississauga and Etobicoke. The Kwinter family heads up Global Egg Corporation and generations of Hudsons make up the strength and heritage of Burnbrae Farms.

The Kwinter brothers, Aaron and David, took over the family business from their father and merged it with Dominion Egg to form Global Egg Corporation. Then they formed a strategic alliance with Sunny Fresh from south of the border to make it even stronger. Global's present

concentration is on expanding through innovation both in process and final products for their food service and institutional buyers.

Global's physical plant is in expansion mode, which will allow a doubling of production. "Right now we are focusing on new products destined for foodservice not retail, but that may happen in the future," according to CEO, Aaron Kwinter. "For example, with the new

pasteurizing system we are accessing through the strategic alliance, we'll move the shelf life of our liquid products to sixty days from six days. That means a lot more product is going to go out fresh instead of frozen."

How they prepare the Harvey's western sandwich is a trade secret, but our behind-the-scenes look gave us the impression that we were also looking at a new convenience food consumers will have in their own kitchens some day.

continued on page 4



Charlie Coppa of Highland Farms answers questions from Al Bouw and Bill Dover of the Commission



Scott Cypher of National Grocers comments on packaging.

OFPMC Update

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

White Bean Marketing

Ontario's low level of white bean production is being closely monitored by the Ontario Bean Producers' Marketing Board. In discussions with the Commission, the Board is wrestling with how the marketing pool system can respond to the challenge. The shrinking acreage is also a concern for Heinz who has a strategic interest in keeping Ontario a bean producer.

Competition from Manitoba and an overall surplus of white beans in the North American market are at the heart of the problem.

The Board is considering offering a dual system that will allow producers to continue with the pool if they wish or opt to market any portion of their production directly. Producers made their opinions known at annual meetings held on November 28 and 29.

OSMA Review

Over the summer, the Ontario Sheep Marketing Agency worked with consultant, George Alkalay, to rebuild its governance and organizational framework. They are to be commended for their commitment and effort in this area. It's neither simple nor pleasurable to put your practices under a microscope and ask what's working and what's not.

After elections this fall, the board welcomed several new directors who will help take on the challenge of putting the thoughtful analysis and planning of their predecessors into action. The Agency also has a new general manager, Cathy Lennon, who started on October 10, 2000.

Soybean Advisory Changes

The province's soybean industry took another step toward making their Industry Advisory Committee stronger by adding a representative from the seed trade. The move was brought into force by a regulation change completed by the Commission.

Tender Fruit Review

Ontario's tender fruit producers have just gone through their most challenging year according to Board Chair, Len Troup. Mr. Troup explained that Ontario is not reaping any benefits from retail consolidation while the Sharka disease (formerly known as Plum Pox) is threatening area orchards.

On the processing side, the relationship built between the Board and Nabisco is good news for producers and processors. Together, this industry has pulled itself out of a terribly depressed peach market at the beginning of the 1990's. They continue to work together to address options to keep the plant supplied if the Sharka disease diminishes local supplies. This year the Board reduced its basic license fee from \$9 to \$7 per tonne in an effort to keep the fees as reasonable as possible.

The Board also reported that a new alliance with the US-based co-operative, CherrCo, is helping to market 85% of Ontario's cherry crop.

Regional Pork Meetings

The Ontario Pork Producers' Marketing Board, together with pork processors, OMAFRA and the Commission, convened

councillor meetings across the province to describe the new Pork Industry Strategy and Vision. The vision and strategy were jointly developed by the Board and processors with facilitation and support from OMAFRA and OFPMC. It offers a framework from which to strengthen Ontario's industry in the future.

Processing Vegetable Review

The Ontario Processing Vegetable Growers met with the Commission to review operations and planning. The Commission recognizes that this board has done a good job of ensuring that their membership is behind them. Likewise, the board works co-operatively on initiatives with their processor partners.

The Commission is impressed with the Board's focus on strategic planning and intelligence gathering. Each year the Board holds two three-day planning and policy sessions as well as investing in staying on top of what competing jurisdictions are doing.

Fresh Grape Review

Ontario's Fresh Grape Growers' Marketing Board does well marketing fresh grapes. Their main market has traditionally been in Quebec where about 85% of the province's production ends up. The development of a new blue grape that is almost seedless has created a premium market for growers of the Sovereign Coronation variety. This variety now represents a full third of all production in the province.

This board has developed a strategic plan to guide them and has an active grower committee to help disseminate the directions of the Board to all growers. 🏡