

# Trading in Traceability

Traceability is seen as the hot ticket these days, but many farmers don't fully understand the work involved. It may be a hot ticket, but it's not an easy ticket.

By Julie McNabb



Traceability is not for the relaxed. Make sure farmers know that a premium market involves work.

**E**NSURING FARMERS GET THE BENEFITS of premium markets involves traceability. Farmers are naturally interested in value-added markets, but they need to know what they are getting into. There are benefits, but only if people who are committed to the system are engaged in it.

Perhaps the best indication of how traceability benefits producers financially lies within the soybean sector. "Traceability is a key selling feature of Canadian IP soybeans," says Andrew McVittie, IP Elite Sales & Marketing Manager at Thompsons Ltd. "Certain consumers and manufacturers demand a full audit from the growing/processing of the certified seed, through to the shipment of the final product. Without traceability, the IP market becomes a 'test only' market which pays a lower grower premium over crusher values." McVittie adds that "test only" markets would not typically demand that certified seed be used; however, with full trace programs, as the demand for the final product increases, so does the demand for certified seed to be grown.

Brent VanKoughnet, owner of Agri Skills Inc., a company that specializes in agricultural innovation services, notes that the opportunity comes from the extra work. "I always operate under the premise in my business that the more unique the request, the more important to the client, and the fewer the competitors in the market, the greater my opportunity to extract some value," says VanKoughnet.

VanKoughnet's fear is that some producers may think they will get lucky, becoming a supplier to a value chain that really takes no special effort and pays a premium because it is worth more on the grocery store shelf; but he says that is not going to happen. "If you want to get paid something extra, you will need to do something extra or special otherwise your neighbour will

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compete the margin out of it in a heartbeat,” he says. “There is nothing simple about adding value, just as there is nothing simple about lowering costs of production and that’s why good management makes a difference.”

“For those growers who produce IP and do it well, I think it does benefit the producer both financially and by making them a knowledgeable participant in the value chain,” says Thompson’s McVittie. “Today, IP varieties match or exceed the yield of most crusher type beans, plus pay a premium per bushel produced.”

“IP programs and traceability are linked hand in hand, so the direct benefit of traceability is the IP premium growers receive,” says Jim Millington, Trading Manager at Maple Leaf Foods. He says for soybeans the premium can range from \$0.60/bushel to \$4.50/bushel.

However, this premium doesn’t just land in a grower’s lap. “There is extra work on the part of the grower,” says Millington. “You have to document everything from spray rates to chemicals used and every piece of equipment used must be cleaned.”

Traceability means you’re using the best management practices possible, adds Clinton Monchuk of the Canadian



Federation of Agriculture. That helps farmers make more money in the long run by giving them not only good markets, but more user information. Growers can not only find out when a field was sprayed, but they can also tell what chemical

was sprayed, and if they don’t think that chemical should be used again on that field, they might decide to switch crops the next year. “So they can use traceability to better manage their farm,” he says.

From an on-farm perspective, VanKoughnet has some advice for farmers. “You are either in the ‘lowest price is the law’ commodity business or you are looking for ways to differentiate and add some value,” he says. “If that is easy to do then every other farmer will be doing it also and it will be hard to extract any additional value from the market. If what you can do to differentiate yourself is difficult, costly, and fewer farmers are willing to go to the trouble to do what you do, then there is a chance of being a market leader. Traceability and ISO type management systems will be one of the tools to demonstrate in what ways you are different.”



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