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Winnipeg Free Press
SATURDAY, JANUARY 21, 2012

BUSINESS

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Inflation rate



Consumer prices plunge in December

By Julian Beltrame

OTTAWA — A combination of Christmas sales and falling gasoline and food prices contributed to one of the biggest one-month drops in consumer prices in years in December, Statistics Canada said Friday.

The 0.6 per cent overall decline in prices from November slashed the annual inflation rate by a similar amount to 2.3 per cent.

The one-month decline was the steepest since summer 2009, when the country was in recession.

Analysts had expected prices to cool due to Christmas-season sales, but the consensus was for a 2.7 per cent inflation rate in December.

"Suffice it to say that this low result was a surprise," said BMO Capital Markets deputy chief economist Douglas Porter.

"The question now is whether this is maintained. We suspect it will be a one-month wonder and prices will nudge back up next month."

But it was only the scale of the decrease that was surprising, not the trend. The Bank of Canada this week predicted annual inflation would fall to about 1.5 per cent by summer.

Manitoba's inflation rate dropped to 2.6 per cent from 3.1 per cent in November. One of the biggest contributors to the lower cost of living was that gasoline prices were up only 10.3 per cent from a year earlier, versus 19.5 per cent in November.

Other notable contributors were a 7.5 per cent drop in the cost of home entertainment equipment, parts and service, a 5.2 per cent decline in the cost of recreational equipment and services and a 3.5 per cent drop in the cost of footwear and natural gas.

December's dramatic drop in prices will assure central bank governor Mark Carney that his unruffled view of inflation pressures, expressed again this week when he kept historically low short-term interest rates unchanged, remains solidly based on the data.

But the result was not positive for the loonie, as it creates added flexibility for Carney to cut rates if he chooses.

The dollar was down 0.17 of a cent at 98.72 cents US in trading Friday.

As expected, pump prices saw the steepest drop, with the year-over-year growth falling to 7.6 per cent from 13.5 per cent in November as the cost of filling up fell three per cent in one month.

"Gas prices have declined steadily on a monthly basis since June," the federal statistical agency noted.

Other major items that go into the inflation index also fell in December. Food inflation dipped from 4.8 per cent in November to 4.4 per cent in December, although staples such as meat, bread and fresh vegetables saw bigger increases.

Purchasing a car was also less expensive in December by 2.3 per cent as manufacturers continued to offer discounts, including on new 2012 models, the Statistics Canada said.

Another dramatic cut was in clothing. Stores dropped prices 5.1 per cent after a 4.7 per cent trim in November for the biggest two-month discount on record in an attempt to lure unusually hesitant Christmas shoppers.

Overall, the agency said prices declined in five of the eight major components it tracks, bringing the inflation rate for 2011 as a whole to 2.9 per cent.

— The Canadian Press

Spud shortage takes toll

Bad growing season means cuts at plants, higher prices

By Murray McNeill

A SHORTAGE of locally grown processing potatoes is threatening to make Manitoba an importer of spuds for the first time in more than two decades and will lead to production cuts in at least one local processing plant.

A spokesman for local potato growers said Friday a nightmare growing season last year took a big bite out of Manitoba's 2011 potato production, and that will lead to a serious shortage of processing potatoes by June.

Keystone Potato Producers Association manager Garry Sloik said that, coupled with shortages in other parts of North America, will likely lead to higher retail prices for fresh potatoes — the kind you buy in stores — and processed potato products such as french fries, hash browns and



potato wedges. "We just don't know exactly when it's going to happen or how much (prices will increase)."

He said because of the looming shortage, Manitoba's potato processors — McCain Foods (Canada) and Simplot — will likely have to import potatoes from Idaho or Washington state or shift some production to other North American plants until Manitoba's next potato crop is ready in August.

He said the last time local processors had to import potatoes was in 1989 or 1990, when drought forced them to bring potatoes in from Washington state.

Simplot spokesman David Cuoio confirmed Friday the company is already making plans to scale back production at its Portage la Prairie plant and shift the work to plants in the American Northwest.

But he couldn't say how soon that will happen, how extensive the cuts will be or how it will affect staffing at the Portage plant.

A spokesman for McCain could not be reached for comment on how the looming shortage will affect its processing plants in Portage and Carberry.

Potato production in Manitoba

	Seeded area (hectares)	Production (tonnes)	Average yield (tonnes per hectare)
2008	32,781	1,028,765	31.88
2009	31,971	984,312	31.38
2010	28,329	863,654	31.38
2011	29,543	793,800	28.02

— source: Statistics Canada

Sloik said having to import potatoes doesn't automatically mean higher prices for consumers. But the problem here is compounded by potato shortages in other parts of North America, including New Brunswick, Maine, North Dakota and Minnesota.

Some regions are facing shortages of fresh potatoes, and that will put upward pressure on potato prices.

Sloik said he doesn't think local consumers are looking at major price hikes — competitive forces will likely prevent that.

Media reports this week said even Prince Edward Island, the potato capital of Canada, is running low on potatoes because it's exporting so much to other areas where the vegetables are in short supply.

Final 2011 numbers issued Friday by Statistics Canada show Manitoba farmers harvested 69,854 fewer tonnes of potatoes last year — 793,800 versus 863,654 in 2010. That's despite seeding 1,214 more hectares in pota-

toes — 29,543 hectares versus 28,329, a gain of 4.3 per cent.

Sloik blamed the lower production on a bad season that saw too many flooded or waterlogged fields in spring and early summer, followed by a severe drought in August and an early (mid-September) frost. The latter prevented processing potatoes, which need a longer growing season than fresh potatoes, from bulking up. Though 2011 was a year to forget for processing-potato growers, it was an OK year for fresh-potato growers because their crops were harvested before the worst of the drought hit, said Peak of the Market board chairman Keith Kuhl.

Kuhl, of Winkler's Southern Manitoba Potato Co. Ltd., said the co-operative has more than enough potatoes on hand to meet local demand until the next fresh-potato crop is ready next August.

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His eggs going in organic basket

Steinbach producer following demand

By Martin Cash

HERMAN Grauer's mission is to see every single one of the best attributes of eggs produced in Manitoba today are in each Nature's Farm egg.

The Steinbach-area agri-food business known for its Nature's Farm pasta is returning to the retail egg business.

"I go to stores and there is such a proliferation of egg varieties," he said. "Free-run, free-run brown, free-run Omega 3, DHA, lutein, organic. We decided to package it all into one egg, check off all the boxes — finished, topic over."

Grauer's Nature's Farm, has been producing eggs since the early '90s.

After a brief early incursion into the retail egg market, his eggs have primarily been used in the production of Nature's Farm premium pasta, available across Western Canada for more than a decade. Most of the rest of his eggs have gone to Manitoba hatcheries.

But for the past two years, Grauer has been selling his organic, free-range, Omega 3 eggs at farmers markets in the summer and he said he has experienced growing demand to get them into the retail stream.

"This isn't something I'm doing with a blind feeling — launching and not knowing what will happen," he said.

After coming to Manitoba from Germany in 1987, Grauer has invested millions of dollars and exhibited the kind of enterprise that will open markets for niche products that agribusiness development people say Manitoba agriculture can produce.

Cory Rybuck, general manager of Egg Farmers of Manitoba, the producers association that handles supply management, said of the 170 egg



KEN GIGLIOTTI / WINNIPEG FREE PRESS

Herman Grauer shows the nutrition-packed organic eggs and premium pasta his Nature's Farm produces.

producers in the province, Nature's Farm is the only one producing organic eggs.

Grauer said in addition to the nutritional features and whatever value is perceived from being certified organic (Nature's Farm is also producing non-organic, free-run, Omega 3 eggs), his eggs will not include any artificial yolk colourants.

(Grauer maintains that is something the egg industry will engage in a routine fashion, but Rybuck says that is not the case.)

After investing heavily and turning his pasta business into a profitable undertaking, Grauer is clearly not a misguided idealist about the demand for fresh, natural, nutritious food that comes at a premium price.

He said he understands there are many motivations for people to buy products such as organic eggs, but knowing where they come from and knowing something about the producer is increasingly important.

As it turns out, about 99 per cent of the eggs sold in Manitoba are produced here and plenty are exported to other provinces.

But Grauer's point about transparency is a hot issue in the food busi-

ness these days.

Dave Shambrock, executive director of the Manitoba Food Processors Association, said those types of issues might be the most important the industry will face in coming years.

"I think there is a backlash coming against products that people don't know the origin of," Shambrock said recently.

Grauer has about 17,000 hens split into two flocks. One is free-range and fed organic food, and the other is free-run but kept in a European-style aviary and fed non-organic food.

"People will be able to trace back that organic feed to only four field plots in southern Manitoba, North Dakota and Minnesota," he said.

Not everyone will be happy to pay \$6 for a dozen eggs — the suggested retail price for a dozen Nature's Farm organic eggs.

But the way Grauer sees it, he's on the same team with the independent and specialty retailer who can't offer a lower price than the big-box outlets for the same product.

So he's got something different for them to sell.

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Snack scores Manitoba win

Manitoba's burgeoning specialty food manufacturers scored another victory this week at the massive Fancy Foods Show in San Francisco. Buckshots, a roasted buckwheat snack that is naturally gluten free, was selected by *Natural Foods Merchandiser* magazine as one of the 12 top natural foods among the 1,300 exhibitors at the event.

Developed at the Food Development Centre in Portage la Prairie and marketed by Stone Milled Specialty Grains, it's brand-new and not available yet in stores.

"Buckwheat's long history as a healthy grain alternative makes this an ideal choice for our business," says Keith Murphy, president of Stone Milled Specialty Grains Ltd. of Fort Whyte.