

SOY20/20

Soy Industry Options

Moving the industry forward

The Canadian soybean industry has succeeded in entering the global soybean market through the development of varieties adapted to Canadian growing conditions. The industry has also succeeded in building partnerships across the seed, grain and food industry, and in developing a food grade soybean export market in Asia. These achievements have made soybean production profitable in Canada. Now the industry is at a crossroad, and there is a need to continue to be leaders in delivering innovation to market, as the status quo is not enough to maintain profitability in an increasingly competitive global market.

Why change is necessary

The long term sustainability of soybean production in Canada is of concern. When considering all factors, including price, yield, production costs, and inflation, the value per acre of soybeans is declining in Canada. This leaves Canadian producers with two options:

1. Increase demand within existing channels

Significant opportunities exist to increase demand by increasing the amount of Canadian soy protein being used as a food ingredient in mainstream products. Incorporating 1% Canadian soy flour into bread flour has a potential value to the entire soy industry value chain of over \$112,000,000 from now to the year 2020.

2. Increase demand in non-traditional markets.

There is also potential in developing new markets channels. Chemical and fuel companies are looking for bio-based alternatives to defray rising feedstock and energy costs. Industrial soy opportunities are based on the potential substitution of soybean oil for petroleum, however, there are two

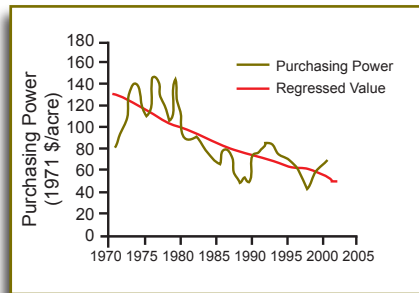
primary constraints to developing these markets:

(i) Consistency

Petroleum may vary in composition, but the industry has developed the technology necessary to control this variation, and deliver a consistent product to primary manufacturers. *The Soy 20/20 Project* is actively pursuing initiatives that will lead to processes that will reduce the cost of individual component purification.

(ii) Cost

Petroleum is still a lower cost feedstock alternative than soybean oil. The price for petroleum is based on the cost of extraction, which is influenced by availability. These costs also affect the price of soybean oil, but with soybeans we have the added option of altering the composition in ways that will enhance economic feasibility. *The Soy 20/20 Project* is championing the development of an industrial soybean.



Canada's competitive advantages in the world:

- Established, proven identity preservation systems.
- Positive global perception of Canada's abilities.
- Superior product traits in terms of oil and protein profiles.
- Excellent location in terms of consumers, processors, and growers.

Opportunities driven by creativity:

The soybean industry needs to look for creative ways to discover and build new channels for Canadian soybeans. Ideas in progress include:

- *Replacing petroleum* with soybean oil for industrial applications.
- Developing *new varieties* of beans tailored for industrial end uses.
- Encouraging the food industry to use *soy protein as a minor*

ingredient to improve health traits, quality, and margins.

- Working with industry and governments to *remove barriers* to innovation and commercialization.
- Meeting with international companies to *bring investment* opportunities to Canada.

Remaining ahead of the pack

Developing a competitive advantage for the Canadian soybean industry means having the courage to imagine, and the ability to execute. We need to work together to build a common vision for an improved future, and we need to be bold enough to think that we can be more creative than others. There is an opportunity for Canada to establish itself as a first mover by taking the necessary steps **now** and capitalize on our strengths.