



The Perch Pod Episode 37

Canadian Droughts, Food Systems, and Farms

With Neil Townsend

Jacob Shapiro:

You're listening to The Perch Pod from Perch Perspectives. Hello, listeners, and welcome to another episode of The Perch Pod. As usual, I'm your host. I'm Jacob Shapiro. I'm also the founder and chief strategist at Perch Perspectives, which is a human-centered business and political consulting firm. Joining me on the podcast today is Neil Townsend. Neil is a senior market analyst at FarmLink Marketing Solutions based out of Winnipeg, Canada. Neil was good enough to join us to talk about some of what he's seeing on his end for farmers in Canada. We talked about food systems. You might remember that Neil actually appeared on an earlier episode of the podcast, one of the first episodes of The Perch Pod, so it was good to have Neil back.

Jacob Shapiro:

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Jacob Shapiro:

Neil, it's good to have you back on. Top question on my mind, of course, is how Canadians and grain farmers are dealing with the drought and the high temperatures. Obviously, in the United States, we've had some of that ourselves. I saw, actually, I think, just today, it's July 23rd, the USDA was revising down corn estimates and wheat estimates. So how are Canadian farmers doing right now? How's the situation on the ground? How are you feeling about the drought? Just start there for me.

Neil Townsend:

Well, it's pretty negative. I don't know. They like to talk about one in 50, one in 100, one in 1000, those types of things. I'm not sure because I haven't been here all those years and I don't really think the data sets are complete, but it's bad. In my history of being in agriculture and living in Western Canada, this is the worst drought I've experienced. Now, of course, Winnipeg, where I am physically located, is on the



extreme eastern edge of the prairie growing region, and we haven't had a great growing season here. But as you move west, you start to get into even worse areas. In Saskatchewan, it's quite bad. Southeast Saskatchewan not as bad, and then Southern Alberta really bad, and, actually, the northern part of Manitoba called the Interlake, northern part of the growing region called the Interlake between our two Great Lakes is extremely bad, too, Red River Valley bad.

Neil Townsend:

So prices have rallied, but farmers are looking at, in many cases, such small yields that it won't make a difference that higher prices. There's, yeah, a lot of concern, a lot of consternation. I do notice an element of anger as well. People are mad that the drought is happening. For some strange reason, people really want everybody to align with that the drought is catastrophic, and I'm not denying that it isn't catastrophic, but droughts are interesting things because there can still be some people or some regions that manage to be closer to average or even at average. But, yeah, this is a widespread, devastating drought.

Jacob Shapiro:

Going into the season, did forecasts have any sense that something like this was going to happen, or did it really catch people off-guard?

Neil Townsend:

The general forecast, like the monthly or the summer forecast, it said it was going to be drier than normal and hotter than normal. Again, just those words, what do those articulate to? So I guess they're right in that context, but if you're saying that certain areas would get to temperatures, like record temperatures, and stay that way for five or six days in a row and that rain would be largely absent for 25, 30, 35 days for certain areas, I'm not sure if the forecasts told you that. But the forecasts have been saying that conditions would be trying. They just ended up being even more trying than probably anybody expected.

Jacob Shapiro:

And are there any prospects for imminent change, for more rain, for moderation? Is the damage already done and you're just going to have to sort through it on the backend, or are things going to get worse? How are you thinking about the rest of the season going forward?

Neil Townsend:

Well, one of the byproducts of the heat and the dryness is that crops have matured a little bit faster, so this would be more or less the final quarter of the time for the growing season anyways for most of our crops outside of that corn and soybeans in Manitoba. It's not unusual for a harvest to start on some of the early grains, like barley or oats, in mid to late August. So, yeah, we've basically run out of time for the majority of the crops that are in peril. I mean, some rain now could stabilize what's there. Again, the modern seed technology, you could get a little bit of a bounce on some things, but we're talking a very



small proportion of the crop could have any semblance of a miniature turnaround. I think the die have been cast, and I think, yeah, it's going to be negative.

Neil Townsend:

And, actually, the forecast isn't promising either. The forecast for the next five to 10, 15 days is sort of like there's going to be storm systems moving through but not the soaking type of rain that just lingers over you for a couple days. Again, maybe one of the worst things that could happen for the people who are expecting a 50, 70, 80%, 100% of what they normally would get is you don't want to have a lot of rain at harvest, right? That deteriorates the quality. So I think the production's going to be down drastically in Canada. It's just a question of how much.

Jacob Shapiro:

Mm-hmm (affirmative). I wish that we could bottle up some of the rain and low temperatures that we've had here in the Southeast in the United States because it's actually been an incredibly temperate summer and an incredibly wet summer, even for a place like New Orleans, which expects rain all the time, and we're in hurricane season. I just moved here, but everybody I talk to on the street right now is like, "We've never seen this much rain in our entire lives. It's crazy." So it just goes to show you that all of these systems are interconnected, you know?

Neil Townsend:

Well, yeah. One of the features of this year is being a big ridge, they call it, that extends from the Great Lakes cutting off basically half of Iowa, and if you're on the right side of that line, and down through almost to Texas when you're on the right side of that line, it's been very, very wet. So places in Illinois have gotten a lot of rain, Indiana a lot of rain, parts of Missouri a lot of rain. Again, I think they're still assessing. Generally speaking, corn likes rain, but they're going to have to try to figure out did some areas get too much rain, did some areas ... Then, on the other side of the line, the taps were turned off. So the northwest corner of Iowa, the southwest corner of Minnesota, two key growing regions, they didn't get much rain. It's not a catastrophe there. They got more rain than the northern plains, but then North Dakota, South Dakota, Montana, Manitoba, Saskatchewan, just no organized consistent rainfall this year at all. Again, those areas are lower rainfall patterns typically than Iowa and Illinois, but this has been an extreme year on both sides of that ridge.

Jacob Shapiro:

Yeah, but before we zoom out and think about the global situation and how this affects maybe global supply or even national supply, how do you think about what this data point now means going forward? Is it literally just get to next year and there's no way that next year can be as bad? Are folks starting to reconsider in thinking that climate change is actually changing things and that these changes are going to be permanent, that it's just not going to be reliable or consistent enough for forecasts to actually mean anything going forward? How are farmers whose livelihoods are depending on this stuff dealing with what for most listeners of this podcast ... We all talk about climate change, but it's very abstract for most people, unless you're actually trying to grow stuff and take it out of the ground. Sure, you get



inconvenienced by some of these things, but for a lot of the folks that you're working with and even for you, this is life-changing, existential stuff.

Neil Townsend:

Yeah. That's a great question because I think on one level, like so much of our current history, everything is highly politicized, right? So your standard, average, carry your lunchbox, go to work farmer in Western Canada is going to be generally upset about carbon taxes, is going to be a little bit ... I'm not going to call them climate change deniers, but they're going to be in the ... This is generalization. They're going to be in that camp of, "Oh, it's exaggerated," or, "We're not to blame, we're not doing anything that we shouldn't, we got to feed the world, and we're unfairly picked up." There may be some truth to that. I'm not smart enough to get that all out. But what I would say is myself, I 100% believe in climate change. Do I know exactly what's going to happen in the fall in any particular area? No. But what I do think, and you mentioned that in your question, was I think the volatility, the unpredictability of it all is going to be changed.

Neil Townsend:

So sort of an anecdote, somebody phoned me about two, three weeks ago and said, "Oh, there's some really good prices for 2022, off combine 2022, so October '22, and should I take some?" I was like, "Well, how's your current crop that would be harvested in September, October '21 doing?" "Oh, terrible, we almost have nothing." So I just said, "I mean, we're in drought right now. The drought ain't broken yet. Yeah, maybe we get rainfall that comes, but what if we get all the rainfall in October and November and we don't get any snowpack? Then the water's been sitting there over the winter." One of the strengths of Western Canada is we get our moisture in a snowpack and then it melts when you need it, like in February, March, and maybe even into April, right? So the water's still there when you're planting it. It hasn't evaporated into the atmosphere.

Neil Townsend:

I think one of the struggles that some of the regions are having maybe is that the snowfall is more unpredictable. It might come, but it comes earlier, it melts sooner, and your planting schedule, because it can still be ... Actually, the very start of this year was uncharacteristically cold, and it took us a long time to heat up. So our April and even into May was cold. We had some frost days, but it wasn't too many killing events. But it was just colder than normal, and then it heated right up. But, I mean, there was no snow to melt at that time anyways because it was all gone. But, yeah, I think it's just very unpredictable and highly volatile now, and I can't predict what's going to happen in 2022. But if somebody said to me, "Do you think we could have a multiyear drought," I would say, "Until it rains, you're in drought."

Jacob Shapiro:

Yeah. Is there a role for government support here? I mean, it seems like the sort of thing that if you're just going it alone, if you can't predict these things and things are so volatile, people are probably going



to give up. Are we going to see a move towards more government support for farmers in general to account for some of this volatility, or is it going to be every man and woman for himself out there?

Neil Townsend:

Two levels to that answer. The first is that we definitely have provisions in Canada when we have what we call an AG disaster or catastrophe kicks in. I'm not saying they're made whole. There's certainly some trauma, some financial trauma. But there's programs in place to get them so that maybe they don't have a big income but they're able to go back and plant the next year. They're able to have some money to pay their base bills. It's a mixture of provincial and federal programs. In terms of the second part of the question, which, again, I think it's going to be the most important question that society faces going forward, is what are the programs that we are going to ensure a stable and safe food supply? We've chosen, and I think it's the best means by which to do it, to have an incentive-based system, where people are incentivized to produce because they can make a living and make money. They're not organized into a collective and told that, "Here's the target." They're market participants.

Neil Townsend:

But, I mean, if it gets to be much more unpredictable and something that you previously thought was a bread basket area, it gets to be hit or miss, like one out of every four or five years is a real shortfall, I think the governments have to step in. Then collectively worldwide, again, I've always said there's not really a shortage of food, per se, in the world. It's more of a logistical question and a distribution system. But if it got to a point where some of the grain warehouses of the world are they themselves running low, that puts a lot of other places at a more precarious state when they run into problems because it's not as easy to fill the gap if there's less stored grain in the world, right? So we're not really at that stage yet.

Neil Townsend:

Again, a lot of it is clouded by data that doesn't really mean anything, like that the Chinese have all this stored grain. There's no real proof that they have it. The market doesn't behave like that. That the government sells some off every now and again doesn't really indicate that they have 50 to 100 times the amount that they're selling off over a 12-month period. So I don't know. I don't think the world is relying on China to keep our plates full, but it's an issue. It is an issue. I don't see the government really talking about it. There's a lot of other things that are happening that are getting a lot of attention, like the wildfires. You have your wildfires in Oregon and California and places like that, and we have our wildfires in Manitoba and BC and all over. So a lot of people are saying, "Oh, this is an impact of global climate change. We got to do something to mitigate that." But you can't control lightning strikes.

Jacob Shapiro:

At least not yet. I wouldn't put it past human beings to try. For all we know, they're going to start creating weather systems.

Neil Townsend:



Well, a lot of countries like to seed the area for rain, and when I lived in Thailand, the previous king, he was active in agriculture and had a very deep connection to wanting Thailand to be very self-sufficient agriculturally. One of their schemes during years of hardship with the rainfall was to seed the rain, and it's an actual technology. Again, I'm not read up on enough to know if that's the answer. But, certainly, nobody's tried that in Western Canada. I don't know if we have the means to do that.

Jacob Shapiro:

Yeah. I don't know. But with all this technology that we have floating around, we're probably going to have to start thinking. I mean, we're going to have to rethink the way we deal with water and weather systems in general. It feels like that change is definitely coming.

Neil Townsend:

I agree. I am an optimist, and I believe in technology, and we've seen a lot of improvement in technology. If we were to have a drought like this 10, 20, 30 years ago, the devastation would've been even greater, maybe not right in the core area of the droughts. It's pretty complete there. But I'm talking about these fringe areas where, again, the weather has been less than an ideal in all of those, but the modern seed technology and the modern farmer technique and skill, these crops can be shepherded under less than ideal circumstances for a long period of time and still yield pretty good. Again, if this is actually a one in 100 or a one in 500 year drought, you'd say we're going to be pretty well-off because we have a lot of technology. It's that concern that we've been talking about, though, that it won't be such an anomaly, that it will be a reoccurring pattern unpredictably, right?

Neil Townsend:

I would say that it's uncommon to have back-to-back droughts in growing regions. Again, we're not talking about trying to grow weed in Saudi Arabia or something like that. We're talking about the traditional wheat belts around the world, like China and Canada. Even in Australia, they have droughts quite often, but they don't always have droughts for one or two or three years in a row. But, yeah, again, we can't predict it. Until it rains, it's a drought. I think in the 1930s, when they talk about the Dust Bowl, that was one of those areas where one of the things that set it back was a multiyear drought, something that extended over a period of two or three or four years, where it was very hard to grow a sustainable crop and people had to get up and leave and go to the West or whatever.

Jacob Shapiro:

Yeah. I'm glad you brought that example up because I feel like that example also pinpoints that it's not like climate change is creating all of these things. The idea that you're going to reliably and predictably grow the same yields over and over and over in relatively the same places is actually an act of supreme human hubris. We can't control the rain. We can't control the weather. The thing that climate change is doing is it's coming in and making something that was already dependent a lot on change and a lot on probability and a lot of things you couldn't control, it's making it even more volatile. To your point, humans can adapt. We can overcome and survive some of these things. But at a certain point, maybe



the volatility outstrips our ability to adapt, or maybe we solve it all. I'm not sure. Yeah, it's not a recent problem. This is something that we've been struggling with as a civilization for centuries, right?

Neil Townsend:

Oh, yeah. Yeah. You mentioned the word water. I think it's not hard to be somebody interested in geopolitics or somebody interested in agriculture or somebody interested in just the economy and say that water is a humongous predicament, right? How do you solve the problem in the Western United States? To get to the level they're at right now with both groundwater and river flow and the dams and the energy and all of those kinds of things and even drinking water, it doesn't look like it's a situation that's going to be solved in one 12-month period unless they get pretty lucky. Yet, I mean, the economic development and the building up of the ... I think I read that Utah is one of the fastest-growing states in the United States, and it's one of the states that has the least amount of supply of fresh water in it in terms of a growing population. Now, again, I'm not saying that people can't share with them, but I'm saying we run into a hurdle there. You're seeing more and more of that around the world, too, where there's a competition for water resources between urban populations and the rural populations, right? It's a tension.

Jacob Shapiro:

It is, and it's one of the things, I think, that is hard for people to wrap their brains around because, a lot of times, a lot of the things that look like geopolitical tensions or political unrest or whatever stupid euphemism newspapers like to use to describe what's going on because they don't really want to dive in ... A lot of times, it really does come back to either water insecurity or food insecurity or both. If you think about where we've had social unrest, political protests, in the last ... Let's just call it the last two to three months. If you want to go on down the list, you've got Cuba, Haiti, South Africa, Nigeria. What all of these countries have in common is they've been disproportionately affected by high food prices. They have low food insecurity. People are worried about being able to put food on the table, and then that expresses itself in all of the sorts of political unrest that we're seeing in general.

Jacob Shapiro:

So it's one of the reasons I try and keep my finger on the pulse of these things, because we can talk macro all we want, we can talk about abstract geopolitical forces all we want, but ultimately the thing that actually gets people in the streets, that gets people overthrowing governments, is when they don't have access to food, is when these systems fail and shut down and there's no answer. I was a little afraid we were getting to that point. If you look at global food price indices, everything is way up. We haven't been at these levels since 2014, and we're starting to hit levels of 2010, 2011. Do you feel like you've reached a top, or are you concerned that we might be going up from here, especially considering some of the drought conditions that both the US and Canada and South American, too, which we haven't even mentioned, are dealing?

Neil Townsend:



Yeah. I think that there's been some positives, like the European Union had a little bit of a bounce back in crops, they got a big bit bigger crop. Again, they're one of the ladders for the world in the sense that they can export more when there's a gap in other exporters. Ukraine's going to have a good crop. But, generally speaking, I think that what happens in the year where we stumble ... And I'm not talking a stumble like this year, but say next year we don't ... We have to replenish our own stockpile, and then if Ukraine and Russia have a drought or something like that and then it's more of the major exporters ... I think I mentioned the last time we spoke that people forget that the Arab Spring started by a man in Tunisia lighting himself on fire due to bread crisis.

Neil Townsend:

People think there's a difference between starvation, like a situation like Yemen, where it's inexplicably bad and the food is just not getting to the people, versus where it's the billions of people who would be like ... What they're earning every day, a high proportion of it goes to buying food, and if food goes up five, 10, 15% in price, their wages aren't going up that much, and they become food precarious. That's very unsettling in a lot of these economies or countries around the world. It's a very different reality than it is here. I think South Africa, you mentioned that, and it was like, yeah, sure, people were stealing TVs and stealing stuff like that when the rage got into a bit of a looting, but people were also breaking into grocery stores and just stealing food. They weren't stealing food because, "Oh, I want free food." It's because, "No, I want food." This is a challenge for a lot of governments around the world.

Neil Townsend:

There's no quick, easy answer because, on the one hand, I think the productive capacity of the world for producing food has never been higher. But on the other hand, if you look at Canada and the US, which are two of the countries with probably the most technologically advanced food systems ... There's other countries that are maybe more impressive, like I'm sure that the Netherlands, pound for pound, they can produce way more food in the space they have than we're doing. But I would say that we don't want to see this happen in Canada and the US. The question going forward is how regular of an event will it be? Again, we might look back on this in 2030 and say, "Remember 2021? What a crazy year. Since then, yields have gone up 20% and we're flying." But we might also look back and say, "That was the beginning of more unpredictability, more volatility, and less certainty." And, again-

Jacob Shapiro:

Yeah. And also-

Neil Townsend:

... those aren't healthy conditions for agriculture and those are definitely not healthy conditions for governments and countries around the world.

Jacob Shapiro:

Yeah. And for all we know, bread baskets are not set in stone. What is a bread basket today might not be a bread basket in 10 years, might be a different bread basket 10 years after that, and this is why



when you look at abstract macro forecasts ... I think when we met a couple years ago when I was speaking in Saskatoon ... If you look at a map at what the projections are for how Canada's going to do in aggregate with climate change, looks really good because you fill in the entire map with the shade of green that says, "Oh, your yields are going to increase by X percentage." But that doesn't mean that the farmers that are yielding today are the ones that are going to actually have those yields.

Jacob Shapiro:

It might be that the bread basket moves a little bit, and whoever happens to be owning land where the rain patterns change or where things get better are the ones that are going to be going forward. So even countries like Canada, like Russia, like the United States, which, relative to a place like Egypt or a place like South Africa, are well-equipped to deal with climate change, there's going to be a lot of dislocation probably on the ground. Things are not just going to stay as they are and increase steadily. That's not the way this stuff works.

Neil Townsend:

No. One thing I've noticed ... Again, this is, I guess, anecdote because I'm not an expert like yourself, and maybe you can comment on it. It just seems like when we see these sort of predicaments happen, internally, domestically in countries, you see the hostility and anger towards whoever's in governance, but you also tend to see an increase in hostility and belligerence between countries, you know what I mean? Again, I can't, for any particular reason, see ... There's a lot of issues between India and China, but they're fighting in a very remote region. Now, does that region become ... It's always been geopolitically important, but does it become more important because of shifting weather patterns or whatever? You know what I mean? Again, it just seems like the level of cooperation in the world, even with the pandemic and things like that, we're not helping ourselves because I would argue that cooperative behavior is probably the best solution for the globe, and it seems like in the last few years, both internally and externally, cooperative behavior seems to be in a more finite supply.

Jacob Shapiro:

And this is what I mean. I think a lot of times it's really hard to pinpoint exactly what causes problems between nations, but India and China is a great example. India is downstream to Himalayas, and they're depending on snowpack and glaciers and all these other things, and the Chinese need all the water that they can get as well, and they're starting to divert some of those water flows. So what you have there is India and China, which for a lot of different reasons should probably be on the same team or at least have interests that are not clashing directly, but when it comes to the most important thing, they actually really aren't on the same page. I think you're going to see that more and more. There's going to be more and more global competition.

Jacob Shapiro:

This is true of COVID-19, too. If China hadn't felt so suspicious and so scared about looking weak on the global stage ... And some of the reasons it felt weak and scared were legitimate, some were less legitimate. We don't have to argue about it. The fact was they didn't want to tell people what was going



on with COVID-19. If they had just been open and clear, this is probably just an epidemic in China. It doesn't become a pandemic. But because there was this culture of fear and, no, we can't look weak in the context of trade negotiations with the United States, you get this situation where nobody's talking to each other, there is no trust, and things mushroom out of control.

Jacob Shapiro:

And it goes to your point. We produce enough food to feed everyone on the planet, probably two times over if you actually diagram it out. It's just there is such level of waste, such level of greed, the systems aren't built to get food from where it grows to where it needs to go, that you get however many millions of people are still living in hunger. We would like for people to be able to cooperate, but unfortunately that's not how international relations works. It has generally been competitive, and unfortunately I think we're entering a more competitive stage rather than a less competitive stage.

Neil Townsend:

Yeah. I wholeheartedly agree, and I would say food insecurity isn't just something that you ... In the old days, your mom would say, "Eat the rest of your food because there's starving kids in whatever country." I mean, food insecurity's a reality in Canada and in the United States. A lot of people are living a precarious existence when it comes to having enough. They have to choose between housing or food or choosing between electric and those things and food. Again, I think when we're talking about inflation and transitory inflation and that kind of thing, again, I'm not a macroeconomist. Yeah, I can see, oh, yeah, used cars, they've really added to the inflation because the rental car companies didn't buy a lot of cars. So, yeah, I can see how that goes out of the system as you go forward because they buy more cars and then there's more supply and blah, blah, blah and it drives the price increases down.

Neil Townsend:

But for food, I'm not sure. I mean, one thing they always say about food is menu costs. Once you print up the new menus and you increase your prices, you're unlikely to go back six months later and take the menus out and reprint the menus with lower prices, you know what I mean? You can accomplish some things with, I guess, specials or whatever. But I think that the pathway is up, and, in my opinion, and, again, I don't have the proof in front of me or anything like that, but I would say that the pace of food cost is going up faster than what wages are going up, even with these significant increases at ... You're a Starbucks barista or you're working at Amazon, now you're getting 15 or 16 or 17 dollars an hour. That was sort of a pent-up period where prices had gone up and being, for lack of a better term, a ... I don't like the term unskilled worker because the barista's very skilled at what she does or he does. I mean, I certainly couldn't whip up a coffee like that with all the things that people say.

Neil Townsend:

I think that was long overdue, to boost those wages up, but I think there's another category of people who are teachers and dental assistants and guys who work in car dealerships. There are two-income families with a couple kids at home, and they're making X amount of money. I think that if they were to keep track of their budget, they would see that over the years their amount of money that they're



spending on groceries and eating has gone up faster than their wages has gone up. Now, is it a huge proportion of their income in North America? For people lucky enough to be in the middle class, probably not, but I think if you're starting out nowadays and you've bought a house in certain markets and the mortgage is higher and all of that, then your free cashflow is lower. Yeah, it's expensive to live, that's all I'm going to say, in North America and Europe as well.

Jacob Shapiro:

And expensive to live well. I mean, to your point about there being food insecurity in the United States, it's not just about access to food, it's about access to quality food and the declining quality of food. In the Southeast, before we had the COVID-19 pandemic, it's been an epidemic of obesity. You look at the rates of adult and even child obesity in many states in the Southeast, and I'm picking on the Southeast because in some of these states it's over 50%. It's not like the Northeast is ... It's not like they're that much skinnier. I think it's in the 30s or 40s. It's still really, really bad. But part of the reason there is that low and middle income folks, they're trying to get the cheapest thing possible, and the cheapest thing possible is probably the Big Mac at McDonald's or whatever other fast food option they can get.

Jacob Shapiro:

If you're middle class upper income, yeah, food costs are going to eat into your budget, and maybe it's going to cause problems for you, but you're still going to go and pay for real vegetables and real fruits and real grains. You're going to go to nicer restaurants that actually put things together rather than just a bunch of processed foods and simple sugars and stuff like that. There's a connection there also between how unhealthy large segments of society, I guess I'm speaking mostly about the United States, and I'm curious if you feel this resonates in Canada, but how unhealthy large swathes of the US population are, how they're not taking care of themselves. It makes sense. They don't have access to food. They don't have access to healthcare, all these sorts of things. But then you get a pandemic on top of it, and probably some of the reason that we're not effectively dealing with the pandemic is because we don't have a culture of taking care of ourselves. Nobody prioritizes health in that way. I don't know. It says something disturbing, I think, about the future of the country and where we're going with some of these systems.

Neil Townsend:

Yeah. Again, I often think that the US is the spear tip. You see things there that are sort of being masked in the rest of the world. I think if you look at, say, the pandemic and you look at the two ... The geographies that have been the most adversely impacted are South America and North America, right? Maybe we're going to catch up in India, we're going to catch up in Indonesia, we're going to catch up in Africa, unfortunately. But I think that obesity and all of these things and eating an unhealthy diet ... And one thing I would say is that the working class, one luxury they don't have is time. Everything takes them more time. They talk about food deserts, like, "I want to get some healthy food. Oh, there's no grocery store in my neighborhood. I have to travel further." To do their jobs, they've been priced out of working close to a lot of their jobs, right?



Neil Townsend:

You look at places like Honduras and Guatemala, and you look at even a lot of the people who are fleeing to try to come to the United States, and I don't ... I say this without any judgment in my heart. It's an observation. But a significant proportion of them would be close to being in the obese category. It's the same pattern there. They're poor, they don't have access to healthy food, they can't afford the healthy food, they have to eat in a more convenient fashion because they're working one or two jobs or it's hard to get what they need. I just think we are paying a price for that. But, again, I think that also is something that when you travel around the world nowadays, the Americans don't stand out as much as they used to. That's all I'm going to say. You see bigger people, more evidence of ... Again, I don't know if big and health go hand-in-hand, but you'd just say maybe the eating styles have changed or something like that.

Neil Townsend:

That's one thing we do probably have to address. I think for some of the people in the higher income categories, the pandemic and the working at home ... You had the luxury to work at home, or I had the luxury to work at home, and you could explore your sourdough bread, and you could explore all these recipes and get to be quite good because you had a little bit more time. You still could phone in Uber Eats or all those things and get somebody else to make you something relatively healthy or whatever, but I think for people who didn't have the luxury of maybe even having their job because they lost their job and then they live in the place where the grocery stores are not as conveniently accessible, their health might have suffered from that, right?

Jacob Shapiro:

Yeah. Well, very uplifting stuff here. Let's close out. The last thing I wanted to ask you about was when we met for the first time ... God, was that 2019? It feels like a decade ago. Canada was right in the middle of a spat with China over canola, and China was finding all sorts of "problems with the quality of Canadian canola", and it was on the top of a lot of Canadian farmers' minds, I think. Looks to me like China's buying again. Is that the experience on the ground? Have people forgotten that China's not a reliable customer from that point of view and that things could change very quickly, or were the lessons from 2019 learned, do you think?

Neil Townsend:

Well, the underlying issue is still ongoing. The CFO of Huawei is still undertaking an extradition hearing in Vancouver. But, yeah, they did bounce back in 2020, for sure. They bought more physical canola. They bought more canola oil. But as far as the headlines are concerned, there's still ... Richardson and Viterra, two of the larger companies here, are still on a naughty list. I would say, going back to all of our conversation, it's unpredictable and volatile. You're, again, much, much more of an expert than I am on China, but they seem to be in a more belligerent phase. They want something. I'm not sure what it is. But if you don't pay heed to their importance in their mind, then you're going to suffer. So Australia got booted from the barley trade because of some transgression, and now I see ... On the stock market, you



see Chinese listed companies are being really detrimented in China, and then that's sort of bleeding through to BABA and JD and these other guys in New York, the whole issue with Taiwan.

Neil Townsend:

It seems inconceivable to me that they would do that, but it's more tangible than at any point in my lifetime. I just think when it comes to a small country like Canada ... That's the thing that I think you really have to realize, is that, from a Chinese perspective, one thing that I think does chagrin them is that Canada isn't that important. "Know your place. And Australia, you're not that important. Just stay away." You know what I mean? "We don't want you telling us how to pick cotton in Jingyang. You're not giving us the respect because we are infinitely more important and powerful than you." That may be true, but, again, it goes back to what I said about the collaborative cooperation.

Neil Townsend:

I don't quite understand that a country that has such a factory of producing things that they want to sell to the rest of the world would want to really undertake trade in this fashion, how it ultimately benefits them going forward. I think it's going to encourage a lot of people to set up operations in Vietnam and Cambodia and Indonesia and Malaysia and India and other places. But we'll see how it all unfolds. For now, I think that won't be the main problem for Canada this year. The main problem will be we just will have a very small pile of stuff to ship to anybody, so the shortage will cure the problem of trying to find markets.

Jacob Shapiro:

Right. All right. Well, in that case, we'll think good thoughts for rain, and we'll look forward to having you on sometime again in the future, Neil. Take care.

Neil Townsend:

Yeah, for sure. Thanks a lot, Jacob.

Jacob Shapiro:

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