

MARKET PROFILE



CANADA: THE MARKET FOR U.S. FOOD AND FARM PRODUCTS

Market Overview

The United States' northern neighbor is the world's second largest nation in area. Although its population is relatively small, at 27 million — compared to that of the United States at 250 million — Canada is a major player on the world trading scene and the seventh largest free-world economy. Canada's economy is expected to continue growing, although at a slow rate.

Although Canada is a small agricultural producer relative to total world output, it is a major exporter and importer of many agricultural products. As a competitor in other markets, Canada usually is third to the United States and the European Community in wheat exports. It is the world's largest exporter of barley and canola and has leaped to the No. 4 position for pork products — with 85 percent of these going to the United States. Canada exports \$6 billion to \$8 billion worth of agricultural products annually, one-third of which go to the United States.

Agricultural trade between Canada and the United States totaled \$7.3 billion in 1990. Trade is facilitated by the countries' proximity, a relatively open border, the influence of U.S.-based advertising on the Canadian consumer, and the recent United States-Canada Free Trade Agreement (FTA). Canada remains the second largest U.S. market, a top competitor for overseas markets, and a major competitor in the U.S. market.

Canada has supported many U.S. objectives in the current Uruguay Round of the multilateral trade negotiations of the General Agreement on Tariffs and Trade.

Canada at a Glance

Agricultural imports:	\$7.0 bil	Population:	26.5 mil
Share of all imports:	6.0%	Population growth rate:	.93%
High-value:	\$5.7 bil	Urban population:	20.0 mil
Bulk:	\$2.0 bil	Urban growth rate:	1.5%
*Ag imports from U.S.:	\$4.2 bil	Percent of women employed:	55.9%
*Ag exports to U.S.:	\$3.2 bil	Per capita GDP:	\$21,000
Major metropolitan areas:	26	Per capita food expenditures:	\$1,400

*U.S. census data, calendar 1990. Other data from reporting country.

The United States-Canada FTA took effect on January 1, 1989. As the FTA reduces and finally eliminates Canadian duties on U.S. products, the United States will gain an increased competitive edge over products from other countries.

Expansion of Canada's domestic food consumption is expected to be slower than in the past, reflecting small population gains and a consequent lower growth in market demand. Canada's population is becoming older and is increasing in ethnic diversity. Families are becoming smaller and women are continuing to make up a large part of the work force. These factors are expected to exert strong influence on consumer needs in the future.

U.S. Market Position

Canada is the No. 1 market for U.S. high-value exports, taking almost one-fifth of U.S. exports of these products and nearly 10 percent of all U.S. agricultural exports in 1989. Horticultural and tropical products — especially fresh vegetables — account for nearly two-thirds of Canadian purchases of U.S. high-value products, followed by dairy, livestock, and poultry products.

Normally, the United States accounts for about 60 percent of Canada's total agricultural imports and is a major supplier of fresh and frozen beef and veal, rice, poultry, bakery products, pet food, and soybean meal. Other U.S. farm products purchased by Canada include fresh vegetables, fresh grapes (many for wine-making), and oranges. Canada also imported \$950 million worth of solid wood products from the United States in 1990.

Market Competition

Many suppliers seek a market niche in Canada. Countries actively promoting their food and agricultural products in Canada include the United Kingdom, a major competitor in the biscuit and chocolate categories; Italy, which holds almost half of the imported pasta market, 16 percent of the specialty cheese market, 11 percent of the chocolate market, and 13 percent of the wine market for containers under 2 liters in size; and Australia and New Zealand, major suppliers of beef.

The tariff phaseout called for by the FTA is expected to improve the competitiveness of U.S. products compared to those of other suppliers. This should enable U.S. exporters to expand sales to Canada.

Economic factors such as the relative value of the U.S. and Canadian dollars will continue to have a major influence on agricultural trade. However, healthy growth is expected in both directions.

Market Trends

Changing lifestyles in Canada, similar to those in the United States, have contributed to a reduction in meals eaten at home and an increase in the importance in sales of high-value products to the food-service sector. There is increased consumer awareness of health, safety, and nutritional issues related to food and an increasing demand for "international" foods and reduced-calorie products. Also enjoying increased demand are leaner meat, fish, and chicken, as well as a broad range of single-portion prepared foods (particularly microwave-ready products).

The increase of women in the workplace is probably the single most important contributor to the eating-out phenomenon and the increased demand for processed convenience foods. The number of Canadian women in the work force doubled in the past two decades.

Current trends in immigration indicate that recent arrivals are now much more likely to be from Asia than from Europe or Great Britain, as was true historically. These immigrants, more highly educated and with higher incomes than past immigrants, will likely cause an increase in specialty stores and specialty sections in supermarkets. Asian immigrants will more likely demand items such as pork, chicken, fish, rice, eggs, fresh fruits and vegetables, spices, and vegetable oils. Products that might lose ground are veal, meat preparations, dairy products, bakery products, and coffee.

Canadian purchases of U.S. fresh vegetables have risen steadily over the past several decades, and this trend is expected to continue. In Canada, the supermarket meat department has been displaced by the produce department as the largest contributor to store profit. Canadian consumers are generally more conscious of the freshness of a product than are their U.S. counterparts. Since they must import a large share of their fresh produce, Canadians tend to treat it with great care, preferring more produce space and less freezer space than Americans. Stronger demand for fresh fruits and vegetables is expected to continue.

Pet food, particularly "upscale" food for dogs and cats, has become a rapidly growing sector of the Canadian market. Nearly 50 percent of Canadian households have a pet, and trends toward premium pet foods and nutritionally balanced diets are common. The annual retail value of pet food production in Canada is estimated at close to \$850 million. Imports exceed \$100 million annually and are growing.

Frozen and prepared foods with short cooking times such as microwave-ready items are good candidates for increased sales, as are high-value grain and feed products such as prepared breakfast foods, breads, biscuits, and cake. Some of the fastest growing branded categories are frozen breakfasts and entrees, canned/bottled drinks and nectars, yogurt, and vegetable and fruit juices. Canada requires import licenses for products containing 25 percent or more barley.

Food safety is becoming an important issue in Canada. Studies indicate that urban consumers are likely to buy more organic products or grow their own. Most consumers surveyed indicate concern about herbicide and pesticide use.

Marketing System

Canada's food marketing system is similar to that in the United States. Local and regional marketing intermediaries — brokers, distributors, and large retailers — participate directly in the import of agricultural products.

With the exception of beef and food ingredients, most U.S. exports of high-value products to Canada are in ready-to-eat and ready-to-cook form.

General Requirements for Packaged Food

Food sales in Canada are regulated by three Federal departments. Consumer and Corporate Affairs Canada has jurisdiction over packaging and labeling; Health and Welfare Canada regulates food ingredients and pesticide residue limits under Canada's Food and Drug Act; and Agriculture Canada maintains the inspection and grading of fresh and processed foods. Packaging and labeling requirements for consumer goods in both English and French include ingredient listing and metric declarations of weights and measures.

U.S. companies interested in Canadian label and product approvals should submit their requests directly to Canadian label clearance offices located throughout Canada.

For further information and assistance contact:

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