

Oh, Canada!

A Vital Food and Beverage Industry Adds Up to Big Opportunities for U.S. Goods

Canada has long had a vibrant food and beverage processing industry that has evolved into a sophisticated and vital contributor to the country's overall economy.

Canada is a G-7 nation and one of the world's most developed economies, with high per capita income and strong consumer spending. In addition, the country offers a favorable business environment: tax credits for research and development, low-cost energy, excellent infrastructure and social and political stability. In fact, so attractive is the Canadian market that over three-quarters of the world's leading food and beverage firms have invested in processing facilities there.

The food and beverage processing sectors make up Canada's second-largest manufacturing sector, after transportation. The food service sector experienced exceptional sales growth in 2000, although it moderated in 2001 due to an economic slowdown.

The Factors Behind the Growth

Today's Canadians want fresh, authentic, quality foods and beverages to enjoy at traditional and not-so-traditional meal times. Four key demographic trends are shaping consumers' food choices:

Aging population: The graying of the baby boom generation has heightened interest in healthy eating and convenience.

Diversity: About 14 percent of the population is comprised of minorities, with the largest groups being Chinese and South Asian. These groups are generating demand for ingredients used in their traditional cuisines.

Women working outside the home: As women increasingly join the workforce, the time constraints of dual-career and single-parent families make alternatives to traditional meal preparation appealing.

Prosperity: Economic growth and rising disposable incomes are enabling Canadians to spend more for products and services that make their lives easier. Many baby boomers, for example, are willing and able to pay for the convenience of high-quality, value-added meals.

3, 2, 1—Contact

In addition, FAS endorses CANADA CONNECT, a program to help U.S. export-ready companies to enter or expand in the Canadian market. Services include:

- Product analysis
- Identification of suitable business entities (agents, distributors, brokers and buyers)
- Background checks on prospective importers/buyers
- Arranging one-on-one appointments with prospective importers/buyers
- Market briefings
- Travel and logistical support

Services are offered by Faye Clack Marketing & Communications. Contact: Cory Clack-Streef
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Industry Inclinations

Canada itself supplies 82 percent of the primary (low-value, unprocessed) products and value-added ingredients used in its food processing industry, and sources the remainder from foreign suppliers. The United States supplies 62 percent of Canada's imports of primary and value-added ingredients. Half of all U.S. fruit and vegetable exports go to Canada. Other products include dairy, red meats, and poultry meats. And more opportunities exist, particularly for raw and processed horticultural products, other processed ingredients and food flavorings.

The food and beverage sectors tend to be highly concentrated. About 11 percent of processed foods comes from 2,139 plants (70 percent of all facilities), while 89 percent comes from large plants (30 percent of all facilities). Similarly, 4.2 percent of beverage production comes from 60 percent of the plants, and 95.8 percent from the other 40 percent.

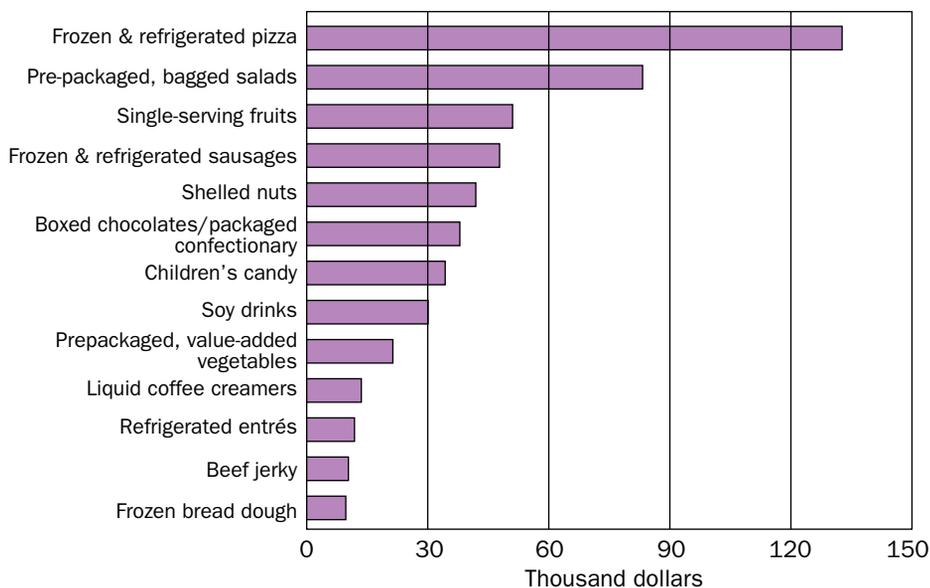
The 10 Most Popular Foods In Canadian Restaurants in 2000

Rank Item	Average Share of Bill Spent on Item
French fries	24%
Hamburgers	12%
Unsweetened baked goods	11%
Chicken	11%
Salads	11%
Pizza	10%
Sandwiches	9%
Sweetened baked goods	7%
Desserts	6%
Asian foods/Stir fry	5

... And the 10 Most Popular Drinks

Item	Average Share of Bill Spent on Item
Regular coffee	22%
Regular soft drinks	17%
Diet soft drinks	4%
Hot tea	4%
Juices	3%
Milk/Chocolate milk	3%
Beer	2%
Iced tea	2%
Wines	2%
Espresso/Cappuccino/Specialty coffees	2%

Hottest Sellers in Canada's 2000 Retail Grocery Market



Further consolidation is expected as mergers and acquisitions bring more plants under one corporate umbrella. As a result, U.S. food and beverage processors face increasingly aggressive and dominant grocery and food service sectors.

Coming Across With the Goods

Most food and beverage processing companies prefer to import directly rather than dealing through an intermediary. Direct buying reduces handling and costs while boosting expediency and efficiency.

Order consolidation and shipping logistics are also important to food processors, and processors often have procurement teams just for these functions. On the other hand, when less volume of a product is needed (say, less than a truckload), a processor may procure it from a wholesaler, importer, broker or other agent.

Canada's food and beverage processing sectors will have to adapt to meet the shifting challenges of globalization, sophisticated consumer demands, demographics, food safety and health issues, technological changes and general economic conditions. Producers, processors, retailers and food service operators will need to work in partnership to meet market demands and remain competitive. ■

For general market and retail sector information, or for assistance in identifying contacts and developing strategies for Canada, start with the FAS Office of Agricultural Affairs, U.S. Embassy, Ottawa, Canada. Tel.: (1-613) 688-5267; Fax: (1-613) 688-3124; E-mail: info@usda-canada.com

Canada's Food Processing Industry Offers U.S. Exporters Many Advantages...

...And Numerous Challenges

Continued growth of Canada's well-developed, sophisticated food processing industry due to rising domestic and export demand	Strength of U.S. dollar in recent years, which has made U.S. goods comparatively more expensive
Overland (rather than overseas) shipping	Competition from Canada and Europe, whose growing, packaging and shipping practices are often viewed as superior to U.S. methods
Canada's short growing season	Canada's abundant agricultural production, constraining import demand during peak domestic production periods
North American Free Trade Agreement smoothing exports' path	Canadian tariff rate quotas
Food processing and retailing consolidation, resulting in bigger players needing higher product volumes	Fewer players to offer such opportunities

For details, see FAS Report CA1126. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

