

5. STRATEGIES AND ACTIONS

Confronted with the various changes and their presumed effects, Canadian agri-food firms can neither afford to remain indifferent, nor to adopt a "wait-and-see" stance. On the one hand, there are new market opportunities and new opportunities for investment in the EC which certain Canadian firms should try to act upon. On the other hand, there is the very real threat of far more aggressive competition from European firms.

The survey responses of a number of Canadian firms seem to indicate that, with the exception of a few large, often multinational, enterprises (Seagram, Ogilvie, Molson, Labatt, McCain), few Canadian firms have prepared or are preparing for this event. Most of these firms are not and never have been involved in the European market, and are at present focusing all their attention on the new dynamics of free trade with the U.S. However, almost all of them say they are concerned with what is likely to occur in Europe, and plan to prepare for this in the near or more distant future. In many cases, one of the major obstacles to adequate preparation for this event seems to be the uncertain nature of the changes to come.

For large firms, preparing usually means investing in Europe (either creating a new firm or taking over a European firm); for small- and medium-size firms, preparing means finding a good sales agent, improving productivity and adopting international norms (A. Lassonde et Fils, Les Miels Labonté, Les Viandes Olympia, Island Shipping Ltd.). It can thus be seen (and could perhaps have been predicted) that Canadian firms' attitudes and actions regarding Europe 1992 are largely a function of their size.

In view of the foreseeable changes in Europe and what is known about Canadian firms, we can briefly outline some potential strategies and possible action they should consider.

5.1 Objective: Acquiring or Increasing One's Share of the New Market

This objective can be achieved in two ways: either by investing in the EC to create an entirely new production unit or to buy or acquire control in an existing firm; or by exporting to the EC.

a) Investing in the EC

Since trends towards concentration have begun in most EC agri-food sectors, on both the distribution and production levels, and since there will always be significant and probably increasingly stringent controls on imports, the second alternative seems to be clearly preferable. This means that Canadian firms interested in acquiring a share of the new EC market would be well advised to take advantage of the movement towards concentration to find a good business opportunity and establish a foothold in the Community. Good opportunities are probably more abundant now (given the rising rate of acquisitions) than they will be in a year or two from now, or after 1992. On the other hand, foreign investment regulations are not fully standardized (certain states, the United Kingdom among others, are currently more receptive than others). For these different reasons, Canadian firms who wish to acquire a foothold in the EC to take advantage of the common market should do so quickly, in the coming months. Such a strategy is obviously not possible for every firm. The number of Canadian firms in the agri-food sector who have become established in the EC is limited, and only consists of large, multinational-type enterprises. The reason for this is simple. It is a costly operation, with significant risks involved. Only a firm with large amounts of capital to invest can seriously attempt such an operation.

b) Exporting to the EC

A Canadian firm that is unable to establish a European foothold may wish to