

EXECUTIVE SUMMARY

The agri-food industry, because of its past history and current situation, will be significantly affected by Europe 1992.

Although a common EC agricultural policy has promoted the tariff-free circulation of agricultural products within the EC, the fact remains that processed products continue to be impeded by a diversity of standards, norms and specific controls. As a result, this sector is characterized by domestic rather than multinational firms, a multitude of small businesses, serious overcapacity and limited efficiency.

By opening its interior borders through harmonization or common acceptance of norms and standards, Europe 1992 is seeking to set the stage for greater efficiency in the industry. Restriction-free access to a potential market of 325 million inhabitants should promote concentration and economies of scale.

The Canadian agri-food industry has relatively few contacts with the European Community, either through exports, imports or investments. Canada's principal export market has been the United States and free trade will likely increase this trend. However, Europe 1992 and its consequences could add a new dimension to this situation. New opportunities and risks are likely to appear:

- . opportunities arising from the possible access to a market of 325 million inhabitants with common standards and norms;
- . opportunities to enter this market as a result of the move towards merger and concentration;
- . opportunities to detect interesting niches due to greater world standardization in consumption trends;
- . risks in certain areas that standards (phytosanitary standards, veterinary controls) influenced by the Green movements will be more restrictive for third country exporters; and
- . risks that Canadian industries will face stronger competition, in Canada and abroad, from European agri-food products.

In the face of these possibilities, the Canadian agri-food industry should seek to adopt the following strategies:

- . Invest rapidly in the EC, thus benefiting from a greater facility to penetrate the market and from better acquisition or participation opportunities.
- . Begin exporting to the EC. Firms already doing business in the EC, and whose product is doing well, should not be adversely affected by Europe 1992. On the contrary, they should be in a position to expand their market share. Firms not currently in this market but who would like to benefit from the new Single Market should rapidly enter one of the national markets; that is, identify the appropriate country, the right niche, the best partner in a distribution network and good commercial agents.