

companies with an opportunity to further increase their exports in the areas of cereals, canary seed, worked oats, pork, and cheese. An eventual Canada-EU Veterinary Agreement, coupled with a successful challenge to the EU hormone ban, could provide Canadian beef exporters with new commercial opportunities as well.

Opportunities include "own label or private brand" products, soft drinks, yoghurts, mineral water, snacks, frozen pizza, biscuits, breakfast cereals, chilled and frozen "ready meals," health foods, low-calorie "alternative" products, ethnic foods, and confectionery products.

The United Kingdom imports about \$2.5 billion of fish and fish products per year. Canadian exports to this market totalled \$74 million in 1995. The U.K. is a traditional cod market and historically a good customer of Canada for this product. The decline of the Atlantic cod fishery and its eventual closure have had a significant effect on the overall value of Canadian fish exports to the U.K. However, higher-value fish products are increasingly important. Britain is Canada's most important market for canned salmon, with sales of \$38 million in 1995. In recent years lobster has moved into second place among fish and seafood exports to the U.K. The market has a good potential for such products as live lobster; cooked, chilled lobster in packs or loose; frozen and canned crab; fresh, relatively high-value flatfish brought in by air (e.g., sole, and Atlantic and Pacific halibut); frozen scallops; cold-water shrimp (cooked and peeled); and possibly herring. When the Atlantic ground fishery is reopened, groundfish exporters should attempt to rebuild their exports to the U.K. with its large consumption and import levels.

The U.K. food and beverage industry has also been the source of \$30 billion of direct investment in Canada over the last ten years, or roughly one fifth of all British manufacturing investment in Canada during that period. This sector will thus constitute a top priority in London for the promotion of investment and of strategic alliances in the agri-food sector. In this regard, a recent analysis available from the High Commission has identified best prospects for partnerships in food and beverages, and in agri-food biotechnology.

The U.K. food economy is gradually losing the competitive war with its major agricultural and

food trading partners, as imports continue to outstrip exports. U.K. agri-food exports in 1993 (latest available figure) totalled \$16 billion while imports in the same time frame amounted to \$30 billion. This makes the U.K. deficit in agri-food and beverage products the equivalent of 40 percent of the total national trade deficit – larger than that for automobiles – and is the largest source of trade deficit in the U.K. economy. This gap will continue to result in new opportunities for Canadian exporters.

The Competition

While Canada's agri-food exports to the United Kingdom have increased significantly, particularly in the processed-food and beverage sector, Canada's market share has only accounted for about 1.5 percent. The potential to capture more market share is immense. Since Britain joined the Common Market in 1972, the pattern of U.K. trade in agri-food products has gradually changed, and other West European countries now account for the largest proportion of U.K. imports. Of particular importance are France, which accounts for 14 percent of all U.K. agricultural, food and beverage imports, as well as the Netherlands (13 percent), Germany (7 percent), the United States and Italy (5 percent each), and Belgium and Spain (4 percent each).

Adapting Products for the Marketplace

In addition to the regulatory and statutory framework that surrounds the U.K. market, the level of the "service package" required is critical in determining overall export success. In other words, Canadian exporters need to understand clearly such elements as the market structure and the importance of key players at the import, wholesale, and retail levels; production distribution factors; product quality and presentation; packaging; continuity and logistics of supply; pricing; terms and conditions of supply; promotional support; and all-round professionalism. Those suppliers who can only meet two thirds of the requirements do not normally reach their full potential.

Would-be exporters should keep a number of other factors in mind: