

SECTOR: GRAINS AND OILSEEDS

II. SECTORAL MARKETING OPPORTUNITIES

1. Market Opportunity Overviews

As a leading contributor to the balance of payments, the grains and oilseeds sector is heavily dependent on exports and is thus vulnerable to demand and price fluctuations in the world market. Constraints in the transportation and handling system were a factor limiting exports during the buoyant 1970's but in the 1980's, it is limited growth in demand and surplus production (particularly in the EEC and the U.S.) which is shaping market outlook. As well, a number of centrally planned and developing importers continue to strive for greater self-sufficiency. The longer term outlook for grains and oilseeds exports is for continuing growth but at a more modest rate and in an increasingly competitive environment. Low market returns to producers combined with difficulty in financing imports for many countries are currently creating marketing problems. For the current year, Canada's export volume will fall short of recent levels due to the drought-reduced crop in western Canada, and the market share thus lost may be difficult to regain in the short term.

Canada's grain and oilseed marketing strategy is to market as much volume as possible at competitive prices. While the processing and export marketing of grain and oilseed products is encouraged, the major market is for unprocessed grain and oilseeds and consequently most exports are in this form. Hard spring wheat remains the largest single class of grain exported but the marketing thrust will include medium quality and soft wheats in coming years as the production of these types increases. This will represent a diversification in the basis for trade which will be advantageous if developed in a controlled manner. Exports also feature a degree of market concentration which tends to make the industry vulnerable and further diversification in this regard will be a positive development. Recent advances in production of wheat in China is a case in point, although Asia as a whole continues to hold potential for increased exports.

2. Current Access Constraints

Grain markets generally are relatively free of restrictions. Canada has been able to compete in commercial markets largely because of consistent quality and reliability as a supplier. In addition, good customer relations have been important in maintaining access. Political actions have rebounded unfavourably on market share for some exporters. Bilateral agreements have been beneficial for Canada in gaining and maintaining access to certain markets.

A factor which limits access to some middle income and developing countries, is the export assistance which Canada can provide. Canada exports grain for cash, commercial credit (up to 3 years) or as food aid. Other exporters, particularly the EEC and U.S., have more comprehensive facilities which have successfully obtained them preferential access to certain markets.