

The following trends are altering the nature of the global agri-food market:

- Increasing demand for convenient, high quality products for the consumer and restaurant markets. While a strong demand for traditional products, such as seafood, will continue, consumer demand for convenience, quality and safety in the products they buy (microwaveable products for the United States, lean beef for Japan and organic products for Europe) will be of growing importance. The aging of the North American and European population will also increase the demand for products that are healthier and available in smaller portions and single servings.
- Increased demand in North America, Japan and Europe for products that meet nutritional needs and food safety concerns. Demand is growing for products that have been delivered swiftly from the producer to the consumer with as little packaging and processing as possible: low calorie, low cholesterol, chemical-free products. The same markets show increasing demand for products, which are "environmentally friendly" in their growing, production and packaging processes.

B Domestic Position

The agri-food sector is fundamental to Canada's socio-economic fabric and supports employment and ways of life in all regions of the country. Food processing employs nearly one million Canadians, either directly or indirectly in distribution, retail and food services, and accounts for over \$2 billion in new investment annually. Primary agriculture employs some 450,000 people. Total farm cash receipts for 1992 are forecast to be \$22.8 billion with operating expenses of \$16.2 billion while food processing accounts for over \$43 billion in factory shipments. The industry is more export-dependent than that of the United States; in 1990, exports amounted to \$296 per capita compared with \$177 per capita for the United States.

Canada enjoys an international reputation and image as a reliable supplier of quality products. The quality, diversity and uniqueness of our primary and processed products, coupled with strict phytosanitary/health regulations controlling their production and movement, are key strengths of Canada's agri-food sector. Producers, backed by a world class production and transportation infrastructure, have a reputation for efficiency and reliability in production levels and delivery. Canada is also one of the few regions of the world left with both available land and ample water, which adds to the sector's long-term growth potential.

Even with the many competitive strengths that Canada enjoys, there are a number of challenges facing the sector. These include:

- a need to add value to our basic primary products;
- a lack of adequate supply capability for many products;
- a low level of industry participation and follow-up in foreign markets; and
- a need to increase the exposure of many smaller firms (which make up most of the sector) to innovative techniques and strategies for market.

The development of trading blocks and protectionist policies has made it more difficult for Canada to develop and maintain markets in a number of regions. Faced with low commodity prices, Canadian producers have been forced to seek out other market opportunities, which, in some cases, has led to increased product diversification. At the same time, lower tariffs and the gradual elimination of trade barriers with the United States have made the domestic industry face stronger competition from imports and have led to a decline in the industry's domestic market share. The value of food imports has increased substantially since 1988, while the value of exports has held relatively steady, all of this leading to a substantial reduction of what had been a \$1 billion trade surplus in processed foods.

Although some elements of the agri-food sector, particularly the supply-managed industries, have concerns about trade liberalization, a resolution of subsidies and market access issues through the current round of the Multilateral Trade Negotiations (MTN) and the implementation of the North American Free Trade Agreement (NAFTA) will have a positive impact on Canadian agri-food exports.

The relatively low value of the majority of primary agriculture products necessitates efficient and cost-effective shipping and handling. This means that large firms, often multinationals, tend to dominate international markets because they are the only ones able to amass sufficient quantities of a commodity. However, only a few multinationals are based in Canada. The exception to this is the grains and oilseeds sector, in which multinationals are active participants in the export of Canadian commodities. In general, however, the marketing capability (distribution, supply, etc.) of multinationals in Canada, is significant and should be utilized more fully by small and medium-sized enterprises. As well, multinationals should be encouraged to develop more world product mandates for Canadian subsidiaries.

C Strategic Direction

The overall goal of the international strategy is to double the export participation rate and increase Canada's share of the global market of agri-food products to five per cent by the end of the decade. The following are components of the strategy for achieving that goal.

Put specific emphasis on value-added products:

- Continue to actively pursue the United States as Canada's main market, particularly for companies new to international trade.
- Take advantage of the opportunities created by the NAFTA.
- Target the Pacific Rim (especially Japan, Korea, Taiwan and Singapore) and Western Europe as the key niche markets with growth potential for Canadian products.
- The Japanese consumer market represents a significant opportunity for exports of Canadian value-added products, such as lean pork and beef, and in the hotel, restaurant and institutions (HRI) markets.