

## SECTOR DESCRIPTION

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 were 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 1991, exports amounted to \$340 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 its primary and processed products, coupled with the strict phytosanitary/health regulations controlling their production and movement, are key strengths of Canada's agriculture 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 Canada enjoys, there are a number of challenges facing the sector. These include:

- a need to add value to its basic primary products;
- a lack of adequate supply capability for many products;
- a low level of industry participation and follow-up in foreign markets;
- 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 need to rapidly increase the numbers of firms active in the export 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 substantial trade surplus in processed foods.