III. Overview of the Canadian Agri-food Sector

The agri-food sector has traditionally been of enormous importance to Canada. In 1990 agri-food products contributed $51 billion, or some 8 percent, to Canada's GDP. The industry has slowed of late, and a projected sales increase of 4.1 percent in 1992 will not compensate for the 6.6 percent decline in sales between 1990 and 1991.

The recession and its attendant drop in sales certainly affected employment in the industry, as a 12 percent drop in employment was recorded between 1989 and 1991. Conventional wisdom characterises the industry as a slow and steady growth market. Real growth rates of around 3 percent should help the industry to emerge slowly from last year's losses.

Since 1980 the total value of food, feed beverages and tobacco exports to the United States has increased from $1.7 billion (Can) to $4.56 billion (Can). At $1.45 billion (Can), fish exports make up the largest component of Canadian agri-food exports to the United States by value, followed by Meat and Other Foods. Of the total agri-food exports to the United States in 1991, 8 percent were bulk commodities, 34 percent were semi-processed commodities, and 58 percent were consumer-oriented products.

IV. Current Trends in the U.S. Retail and Foodservice Market

Both the Canadian and American agri-food sectors are going through a period of restructuring and consolidation. As the number of firms in sub-sectors decrease, the competition for market share heightens. However, this process may create market niches for the smaller manufacturer which are neglected or ignored by the larger producers. The increasing concentration of the food processing industry has had a major impact on the retail and foodservice distribution networks, as it creates leverage and affects both pricing structure and buying capacity.

The food and beverage sector is the second largest manufacturing sector in the United States. The total value of food and beverage shipments in 1991 was $361 billion. Shipments are expected to increase only marginally (1.4 percent) in constant dollar terms in 1992.

U.S. imports of food products are concentrated in certain specific sub-sectors. In 1990, these sub-sectors were value-added foods such as prepared entrées, bakery goods, alcoholic beverages and gourmet fruit and vegetable products.

The market for processed foods and beverages in the United States is expanding and changing. The American population is relatively stable, but the percentage of consumers entering the 35 to 54-year age bracket is increasing by over 3 percent per year. Consumers in this age category are normally at the peak of their earning power and therefore have more disposable income. They are often more willing to try new products than other consumers and tend to purchase higher priced, value-added products. The increasing number of dual-income households means that convenience foods are in demand because of the limited time available in the household for food preparation.

Americans are eating more "ethnic" foods. A recent study by the National Restaurant