

service establishments that provide these attributes at lower prices.

To take advantage of this new reality, Japan's largest food retailer is promoting a commitment to lower food prices. Its policy of reducing or eliminating the traditional multi-layered distribution channels by importing directly and developing private brands is being adopted throughout the retail sector. The Japanese External Trade Organization (JETRO) estimated the 1994 retail market for private brand food and beverage products in Japanese chain stores to be approximately US\$5.1 billion. This figure is projected to quadruple to US\$20.3 billion as private brands approach the 15-20 per cent market share typical in many industrialized countries.

Japan's rapidly growing regional markets also offer significant potential. These markets, many of which have the purchasing power equal to some national economies, are establishing direct business linkages with overseas suppliers. Canada, well served by regional Consulates, and with direct flights to Japan's major airports, is in an excellent position to capture regional market share.

Investment and Partnership Opportunities

In light of the structural limitations and competitive challenges outlined above, Japanese food processors are increasingly escaping limited raw material supplies and high labour costs at home by investing heavily in overseas processing facilities.

Canada's image as a technologically advanced producer of safe, high-quality, agricultural commodities is attracting greater Japanese investment in food and beverage processing facilities. Canada has many competitive advantages, including an inexhaustible bounty of agricultural products,

an advanced food-processing industry, world-recognized research and innovation capabilities, a highly skilled labour force, world-class infrastructure, including telecommunications, and proximity to major markets.

The newly released Department of Foreign Affairs and International Trade (DFAIT) document *The Case for Investing in Canada: The Food and Beverage Processing Sector* explores these advantages and features eight detailed profiles of sub-sectors such as red meat, food biotechnology and snack foods.

The agri-food sector was one of the two sectors reviewed by the Keidanren investment mission to Canada in September 1996, in anticipation of enhanced investment partnering between Japanese and Canadian companies. (The private, non-profit Keidanren is the most influential business organization in Japan.)

Science and technology are integral to Canada's thriving state-of-the-art agri-food industry. The development and application of new technologies in Canada, and the global exchange of ideas and technologies, keep Canada's industry at the forefront and provide impressive opportunities for investment and collaboration.

Market Demands and Domestic Challenges

Competition for the attractive Japanese market is fierce. The market is dominated by imports from the U.S., which accounted for 36.7 per cent of imported agri-food products in 1995. China, Australia and Taiwan followed, with 8.3 per cent, 8.3 per cent and 6.4 per cent, respectively, of the market. For Canada to hold and gain market share, committed companies with carefully adapted products, crafted with the utmost quality, are essential. In addition, a greater