

Major EC Food and Drink Producers, 1988 (in percentage)

	Share of EC Production	Share of EC's GDP
France	20.4	19.9
Germany	19.6	25.4
U.K.	18.9	17.1
Italy	13.8	17.4
Spain	9.7	7.2

Source: EC 1990.

Markets

EC consumers tastes are moving towards more elaborately processed food and products with a higher technological and service element. Three types of products are becoming increasingly important:

- *higher-quality products* such as low-fat milk, fresh poultry, high-fibre products, whole wheat bread and products with fewer additives;
- *higher-convenience products* such as breakfast cereals and meals that can be quickly heated in the microwave;
- *high-variety products* such as fresh juices and exotic fruits.

Many firms are exploring improved methods of modified atmosphere packaging, a new technology which uses nitrogen and carbon gases to preserve fruits, vegetables and bakery goods in sealed containers.

The type of strategies being taken by Canadian food and beverage firms in the EC tend to depend on their size. Many of the large ones are creating new firms or acquiring existing EC companies. With the exception of McCain, which has carved out a major stake in the European market for frozen french fries, most such activity has been limited to the major Canadian distilleries and breweries. For small- and medium-sized firms, responding to Single Market opportunities more often involves finding a good sales agent or alliance partner, improving productivity and adopting international norms. Examples of Canadian firms of this type are A. Lassonde et Fils, Les Miels Labonté, Les Viandes Olympia, and Island Shipping Ltd.

EC Programs

European Collaborative Linkage of Agriculture and Industry Through Research (ECLAIR) promotes useful applications of recent developments in the life sciences and biotechnology. Scheduled to last from 1988 to 1993, it has a budget of \$112.9 million.

Food Linked Agro-Industrial Research (FLAIR) focuses on the interface between consumer, industry and research, concentrating on the downstream end of food science and technology that emphasizes the measurement and enhancement of food quality, food hygiene, safety and toxicology, nutrition and wholesome aspects. FLAIR is scheduled from 1989 to 1993, with a budget of \$35 million.

Outlook

A 1988 EC report identified more than 200 non-tariff barriers between EC countries which together cost the industry \$725.5 million to \$145.1 million annually. These barriers often apply to trade in food and agriculture products. They consist mostly of packaging and labelling regulations, specific import restrictions (e.g., sanitary laws in the U.K. or Spain), content or denomination regulations (e.g., for beer).

The elimination of non-tariff barriers will allow companies to buy less expensive ingredients, to reduce their packaging and labelling costs and to eliminate bureaucratic and administrative restrictions of imports. It has been estimated that their elimination will save approximately 2-3% of the sector's total value-added. The sector areas that will benefit the most are oils and fats, chocolate, ice cream, pasta, saccharine, beer and plastic containers.

Share of Products in Total Food and Drink Production, 1988 (in percentage)

Slaughtering	18.3
Dairy products	17.9
Compound feed	7.8
Vegetable and animal fats	5.1
Preserved fruits and vegetables	3.9
Frozen products	4.2
Biscuits and rusks	7.2
Flour	3.6
Others*	32.0

*Includes poultry, olive oil, ice cream, margarine, bread, alcohol and spirits, brewing and malt, soft drinks, sugar, coffee, tea and vinegar.

Source: EC 1990.