

B. Agriculture and Food, Fish and Seafood Products

i. Agriculture and Food

Business Environment

With 22 per cent of the world's population but only 7 per cent of the world's arable land, China faces an enormous challenge in trying to feed its growing population. High-intensity, low-productivity agriculture is practised, but 70 per cent of the population is still engaged in primary agriculture. Rapid growth in personal incomes is also generating quantitative and qualitative shifts in demand for foods.

China's stated goal of food self-sufficiency requires an 8 per cent increase in total grain production to a level of 500 million tonnes by the year 2000. The Ninth Five-Year Plan acknowledges that improved diets containing greater variety and increased protein content require newer technology and increased productivity. To date, little in the way of investment or incentives has been committed toward meeting these goals.

Key challenges for Chinese planners include:

- the growing disparity between urban and rural incomes;
- the need to maintain social stability;
- the need to improve job opportunities in rural areas; and
- the need to deal with the ongoing migration to urban areas.

Market Opportunities

Opportunities exist in bulk agri-food commodity exports, value-added agricultural products, services and technology, and, to some extent, in fully processed manufactured foods.

Wheat remains Canada's largest agricultural commodity export to China. Other commodity exports now include malting barley and canola. Canada will encourage China to modify its goal of food self-sufficiency, a goal that is unrealistic given China's growing population.

Particular opportunities exist for Canadian suppliers of value-added agricultural products, services and technology that are organized and strategically positioned in the China market. From greenhouses to grain-handling equipment, from animal genetics to feed and feeding techniques, health, husbandry, slaughtering and processing, Canadian companies can provide the better-quality and higher-quantity production China needs.

Promising opportunities exist in manufactured foods, despite import and regulatory barriers and stiff competition. Export strategies must take into account that China is more than one large market, it is many regional markets. Companies must have appropriate, competitively priced products with good distribution to reach targeted clientele. Using Hong Kong as an entrepôt for South China and other regional markets has been a successful approach for Canadian exporters of