



Canada's Agriculture, Food and Beverage INDUSTRY

Overview of the Sector

Canadian Agriculture: A Growing Sector

As the second-largest country in the world, Canada has the crucial ingredients for leading the world's agriculture trade: a clean environment, temperate climate, plentiful natural resources, a strong economy, and high standards for food inspection and regulation.

Canada's agriculture and food sector is a robust industry that contributes to the economy and quality of life of all Canadians. The third-largest employer, it is one of the country's top five industries and accounts for more than 8 per cent of the Canadian Gross Domestic Product. And while it is one of the oldest sectors of the economy, deeply rooted in

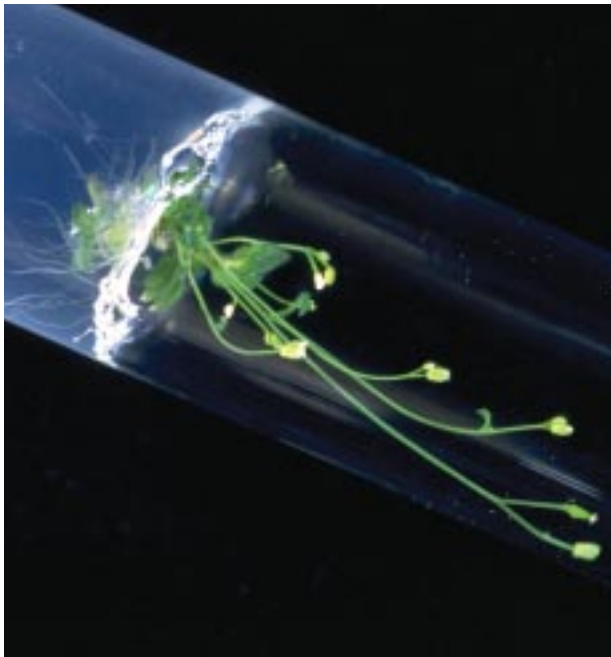
Canadian history and culture, it has also become one of the most dynamic and innovative industries in Canada.

Canada's Commitment: Food Safety and Innovation

Canada's agriculture, food and beverage sector has a reliable, cost-effective and flexible business environment, one that adapts product formulations quickly to meet the needs of buyers, and provides access to abundant supplies of the highest-quality ingredients in the world.

Canada is already well known for safe, high-quality agriculture and food products. To continue to meet the changing demands of food consumers everywhere, Canada has developed a comprehensive new agricultural policy that will allow it to continue to offer customers around the world the very best in terms of the safety, quality and uniqueness of its products, and the environmentally responsible manner in which they are produced.





Full Speed Ahead

The Canadian agriculture and food industry shows no sign of slowing down. In fact, Canada is now considered the investors' gateway to the vast North American Free Trade Agreement (NAFTA) market, featuring a skilled and educated workforce, the lowest business costs in North America and a world-renowned network of R&D clusters. The Government of Canada has helped to improve access to markets as diverse as the United States, Mexico, Europe, Puerto Rico, Korea and South Africa.

All this is supported by Canada's transportation infrastructure – one of the most efficient in the world – that takes advantage of Atlantic, Pacific and Arctic ports, nine major international airports and more than 150 Canada-U.S. border crossings.

With so many advantages, Canada is well positioned to capitalize on further trade liberalization through its active participation in multilateral trade and investment negotiations, including the World Trade Organization, the Free Trade Area of the Americas, the Asia Pacific Economic Cooperation, and the European Free Trade Association.

Planting Seeds Around the World

The sector is continuously growing. In the past decade alone, total exports have almost doubled and exports of processed food products have more than tripled, now exceeding those of primary food

products. Canada exports a wide-range of products to more than 175 trading partners around the world.

Value-added and processed goods, together with prime-quality meats, live animals, bulk grains, oilseeds and vegetables are Canada's top agricultural exports. Other important export foods are milk products; fish and seafood; maple syrup and honey; organic, natural and health foods; and confectionaries and beverages.

Turning Innovative Science into Innovative Products

For all sector stakeholders – from primary producers to value-added processors – operating in an increasingly global marketplace requires advanced technology and the latest scientific knowledge that addresses increasingly sophisticated consumer demands.

Canada has internationally recognized expertise in a wide range of scientific and technical areas, including processing and packaging technologies, biotechnology and genomics, and environmental impact. Researchers from federal, provincial and university organizations provide the agriculture and food industry with the knowledge, advice and technology it needs to achieve a balance among economic, social and environmental interests.

Agricultural research has also helped develop farm practices that reduce erosion, use fertilizers and pesticides more efficiently, and provide better ways to manage manure. All this has resulted in cleaner air, water and soil.

Across Canada, federal, provincial, university and industry facilities are grouped together, creating clusters of knowledge and expertise that act as incubation centres for innovation and discovery. Clustering has the advantage of leveraging funding by sharing expertise, facilities and support infrastructure with research partners. Some cluster examples include: Saskatoon, Saskatchewan – Agricultural Biotechnology; London, Ontario – Health Sciences; Guelph, Ontario – Food Pathogens, Pilot Processing Plant, Functional Foods/Neutraceuticals, Molecular/Cellular Biology; and St. Hyacinthe, Quebec – Food Processing, Preservation, Quality, Safety, Bio-ingredients.

R&D for Less

The Matching Investment Initiative (MII) is a key mechanism for increasing market-driven research in Canada.

The goals of the MII complement those of other Canadian programs. For example, Industry Canada and the National Research Council operate Technology Partnerships Canada and the Industrial Research Assistance Program, respectively. These programs provide repayable contributions to support the downstream stages of research and development. In addition, tax credits for research and development in Canada are among the most attractive of the G8 countries. Together, these advantages could offset up to two-thirds of the initial investment.

Investors' Gateway

The Canadian agriculture and agri-food sector is known as one of the most dynamic and innovative agriculture industries in the world, featuring top-notch management, cutting-edge research, and well-established, predictable regulatory systems.

Canada is increasingly becoming the number one choice for foreign partners and investors. Trade liberalization has resulted in an unprecedented capacity for expansion and innovation, and has made Canada the investors' gateway to the vast NAFTA market and beyond. In addition to access to cost effective, cutting-edge agri-food research, international investors have access to the most favourable tax treatment in the world and highly developed food products and packaging.

Fresh Approach to Food Quality and Safety

Canada's food inspection system is internationally recognized as being among the best in the world – both in terms of ensuring food safety and quality, and in providing a trade-friendly environment. Consumers are more aware of food security, safety and quality, and are demanding more information about how their food is produced. More than ever, consumers want to know that their food is safe and that it has been produced in an environmentally responsible manner.



In Canada, government and industry are working together to establish national food safety systems. These will include on-farm and post-farm safety systems that protect consumers against food-borne pathogens, and traceability systems that will track food from its origins on the farm all the way to the grocery shelf. In addition, widespread adoption of environmentally sensitive production practices, measurable targets, indicators and timetables will provide consumers with the transparency and information they need to feel even more confident in Canadian agricultural products.



Keeping an eye on safety

The Canadian Food Inspection Agency – Canada’s quality assurance watchdog – gives Canadian-based food processors a competitive edge. The Agency provides food inspection, product certification, monitoring of imports, and registration and inspection of processing plants.

The Agency’s inspection and sampling procedures are continually reviewed and refined to reflect the latest scientific information, new inspection technologies, new processes and products, and new approaches to food safety. It also ensures consistency with other agencies and international requirements. In addition, effective risk management and HACCP-based (Hazard Analysis Critical Control Point) inspection systems facilitate safe products and access to North American and world markets.

Innovative Trade and Marketing Programs

Quick and easy access to federal trade and market development programs, and practical trade regulation procedures and infrastructure, are key to the success of the Canadian agriculture, food and beverage industry. Here too, with its Agri-Food Trade Service (ATS), Canada leads the world.

The ATS assists international business development in Canada. It has become a focal point for Canadian agri-food exporters, simplifying access to international market information and intelligence, proving trade and investment counselling and advice, and initiating export support programs. You can visit the ATS at <http://ats.agr.ca>.

Canada's food and beverage industry is recognized internationally as being among the best in the world, both in terms of ensuring food safety and quality, and in providing a trade friendly environment. Consumers are more aware of food security, safety and quality, and are demanding more information about how their food is produced. More than ever, consumers want to know that their food is safe and that it has been produced in an environmentally responsible manner.

Canada's objective is to be the world leader in food safety, innovation, and environmentally responsible production and to be the best at meeting the needs of consumers at home and abroad.

Canada's

Agriculture, Food
and Beverage

INDUSTRY

Food Safety

Environment

Innovation



Growing Innovation

The Canadian agriculture and food industry is known as one of the most dynamic and innovative high-tech agricultural industries in the world, featuring top-notch management, cutting-edge research, and well-established, predictable regulatory systems. Canada's objective is to be the world leader in food safety, innovation and environmentally responsible production and to be the best at meeting the needs of consumers at home and abroad. Here are some of Canada's key agriculture and agri-food industries.

Food Safety

Environment

Innovation

Alcoholic beverages industry

In 2002, Canada exported \$941.5 million in distilled spirits, beer and wine. Exports of distilled spirits totalled nearly \$488 million, beer exports were valued at over \$351 million, and wine exports totalled more than \$102 million of which over \$90 million was other than grape wines, including fermented beverages, cider, fruit wines, perry, mead and hard lemonades.

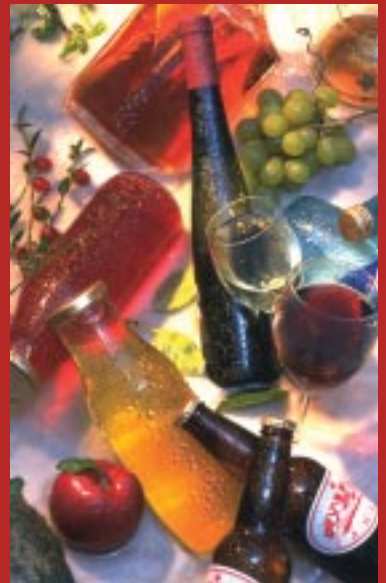
Manufactured shipments of alcoholic beverages were valued at almost \$6 billion in 2002, with distilled spirits accounting for \$1.3 billion, beer making up \$4.1 billion and wine valued at \$577.4 million.

Part of the industry's success lies in readily available crops, such as grains for distillation and high-quality malting barley—which account for 30 per cent of the world's market trade—for beer.

Confectionery and snack food industries

Confectioners manufacture hard and soft candy, chocolate products, and chewing gum, while the snack food industry is represented by manufacturers of products such as potato chips, pretzels, popcorn, seed snacks, peanuts and cheesies.

The growth in both market size and consumer demand is reflected in the value of shipments. From 1992 to 2002, the value of confectionery and snack food shipments has grown from \$1.4 billion to 3 billion and \$900 million to \$1.7 billion respectively.



Dairy industry

Canadian milk and dairy products are recognized internationally for their superior quality. In addition to high-value dairy products such as aged cheddar cheese, some of the finest specialty cheeses, ice cream and dairy beverages, Canada also exports easily stored products like butter, milk powders, and condensed and evaporated milk. Strict quality standards at both the farm and processing levels contribute to Canada's strong reputation for high-quality dairy products.



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Canada



Egg industry

Each year, 6.8 billion eggs are produced in Canada by more than 25 million laying hens. In 2001, the value of egg product exports was \$30.7 million. Eggs are also used in the manufacturing of many products, including mayonnaise, noodles and baked goods, as well as shampoo, pet foods and adhesives. For scientists, eggs are a source of biochemicals. Avidin and ovomucoid—biochemicals derived from eggs—are two highly purified proteins used in drug testing and in geriatric feeding formulas.

Fish and seafood

Canada has one of the world's most valuable commercial fishing industries, which takes advantage of the world's longest coastline. Shrimp, snow crab, scallops,



groundfish, salmon (farmed and wild), herring, mackerel and clams are among the country's most important species, together with Canada's most valuable seafood product—lobster.

The world's 6th largest fish and seafood exporter, Canada exports more than 75 per cent of its fish and seafood production to more than 80 countries, including the United States, Japan and the European Union. In 2002, total exports reached a record \$4.7 billion. Canada's HACCP-based fish-inspection system (mandatory for seafood exporters) contributes to the industry's worldwide reputation for safe, high quality products.



Fruit industry

In 2002, the value of all Canadian fruit, including apples, tree fruit and berries, amounted to \$517 million. Within the overall fruit category, the berry sector accounted for the largest percentage of value with 54.5%, followed by apples with 31.2%, and tree fruits with 14.1%.

New technology and pruning practices have allowed apple and tender fruit producers to increase tree densities and therefore production. Within the berry category, blueberries and cranberries have witnessed increased production in response to positive health claims. Grape area continues to expand and has increased over 40% in the last five years, driven primarily by the demand for high quality Vinifera grapes for wine production.

Functional foods and nutraceuticals

The new and emerging market for nutraceuticals and functional foods—natural, bioactive compounds with health-promoting, disease-mitigating or medicinal properties—is driven by an increasing consumer understanding of the link between diet and health, aging populations, rising health-care costs, and advances in food technology and nutrition research.

Canada is well positioned to become a leading supplier of nutraceuticals and functional foods. In addition to an excellent international reputation for a pure, clean environment and resulting safe, high-quality food products, Canada has a strong, cost-effective research capability that includes collaborations among governments, universities, health and research institutions and industry.

Grains and oilseeds

Nearly 30 per cent of the food products Canada exported in 2002 were grains, oilseeds and related products, with an estimated value of \$7.6 billion. The production of grains and oilseeds reached 50.5 million tonnes in 2002–2003.

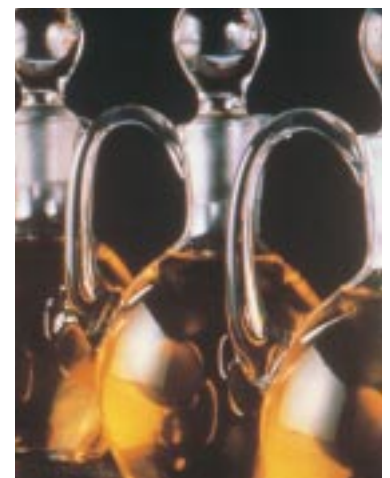
Canadian agriculture scientists' work on value-added processing has led to the recovery of many



important sugars, organic acids and pharmaceuticals from grains—primarily oats. Included in this list are antibacterial compounds, anti-histamines, antioxidants, steroids, vitamin E and anti-cancer agents. This research has also enhanced food and feed ingredients such as surfactants, sugars, sweeteners and emulsifying agents, and cosmetic co-products, such as ultra-violet light barriers, cleansing agents and waxes.

Grain-based products

The flour milling industry comprises firms that primarily mill wheat and other cereal grains into flour, feed for animals and other products such as biscuits. The industry exports large quantities of Canadian durum to many countries including Italy, Turkey and the United States. Canadian agriculture scientists are developing new durum wheat varieties with extra gluten strength to fit the needs of the pasta-making world, and are setting their sights on white wheat that allows millers to extract an additional three to four per cent more flour.



Maple syrup and honey

Canada makes 85 per cent of the world's maple syrup, producing almost 35,000 tonnes valued at \$164 million in 2002. Quebec leads Canadian production with 32,495 tonnes and sales estimated at \$147 million. Canadian export sales reached \$145 million in 2002.

Recognized worldwide as being of the highest quality, Canadian-packaged honey is filtered and can be pasteurised, does not need preservatives and has a shelf life of up to two years.



Organic industry

Canada is regarded as an ideal country for producing organic food thanks to its vast size and cold climate, which reduces pests and disease. Sales of organic products are expected to grow 20 per cent annually and to account for 10 per cent of the Canadian retail market by 2010, with retail sales estimated to reach between \$700 million and \$1 billion. Canada is among the top five producers of organic grains and oilseeds, with 5 per cent of Canadian grain farms reporting themselves as organic. Canadian farmers' support for the organic way of life is growing.

Potato Industry

Canada has a long history of supplying top quality table potatoes to customers and is widely recognized as an international leader in seed potato production as well as in producing, storing and processing a wide variety of potatoes in an innovative and environmentally responsible manner. The potato is the most valuable vegetable crop in Canada, accounting for 63% of all vegetable farm cash receipts or \$952 million in 2002.





Poultry industry

Poultry production and processing are among the most highly mechanised and effective sectors in Canadian agriculture. In fact, Canadian poultry processing plants can slaughter and prepare for market 25,000 broiler chickens per hour, while one person can operate a unit of 50,000 broiler chickens, which will provide 640 tonnes of meat annually. In 2001, Canada produced poultry products worth \$1.8 billion. In 2001, Canada exported poultry products to 88 countries and exported 12 million chicks, domestic fowl, turkeys, ducks, geese and game birds such as guinea fowl, pheasant, partridge, quail and squab to 28 countries.

Processed fruit and vegetable industry

The Canadian fruit and vegetable canning, pickling and drying industry has undergone significant change during the last two decades in response to changing consumer demand for new and different products and to the evolution of a more open trading environment. Following the implementation of the Canada-United States Free Trade Agreement (FTA) in 1989, the industry underwent a period of rationalization and specialization resulting in fewer plants and products but increased production. In 2001, the fruit and vegetable canning, pickling and drying industry exported for \$522 million.

Pulse industry

Canada is one of the world's leading exporters of high-quality pulses—dried, edible seeds of leguminous plants, such as peas, beans, lentils and chickpeas. In 2002, Canada produced 2.2 million tonnes of pulses, and exported more than 1.4 million tonnes to over 100 countries, including India, Spain, Bangladesh, the United States and Cuba.

Canadian pulse production increased an average of 20 per cent annually during the 1990s, driven primarily by international market demand. Poor weather conditions had dropped production and harvested area of pulses during 2001 and 2002. Canada is the world's largest exporter of lentils, peas and chickpeas and the fifth largest exporter of beans. More than 60 per cent of the output is exported.

Seed Industry

An estimated nine out of every ten bites of food available to people across the world begins with the planting of seeds. Canada's vibrant agriculture and food industry produces a great variety of quality seeds for sowing, including major grains and oilseeds, special crops, pulses, forages and turf grasses, ornamental and garden seeds.

The Canadian seed industry generates \$700 million in combined domestic and export sales every year. Nearly three quarters of the seeds produced in Canada are used for domestic purposes. Because Canada already exports seeds to approximately 40 different countries, including the United States, Europe and China, it has the capacity and mechanisms to produce and export even more high-quality seeds.



Vegetable industry

In 2002, vegetable (excluding potatoes and greenhouse) cultivated area was estimated at 119,968 hectares of which 96.2% were bearing. The estimated area harvested for processing vegetables was 60,096 hectares in 2002, while area harvested with vegetables destined for the fresh market was 55,023 hectares. Corn is the largest crop with 31,572 hectares of bearing area. Peas, beans and tomatoes for processing were the next largest crops, followed by fresh market carrots and onions.

The volume of exports of fresh vegetables (excluding potatoes) has grown 65 per cent from five years ago to reach 403,000 tonnes, mostly in greenhouse vegetables and mushrooms. Canada also exported about 421,000 tonnes of table and seed potatoes in 2001-2002 to markets around the world.

Contact Us

More detailed fact sheets are available in print or by visiting the Agri-Food Trade Service Internet site at <http://ats.agr.ca>.

The ATS provides international trade and investment information as well as exporting guidance, market analysis, country and product reports, market trends and opportunities, world trade news, global trade rules, information on trade shows and missions, international trade statistics, programs and services available, trade contacts, and links to other information sources. The site also promotes product suppliers and investment in the Canadian agri-food industry.

