



Monthly Bulletin - Trend Analysis



This summary highlights agri-food news trends on a monthly basis, providing an analysis and overview of agri-food issues that were of particular interest to the industry.

October 2006

- **Import monitoring, testing, and regulation**
- **Organic industry growth and development**
- **Health product and market expansion**
- **Seafood industry activity**

Food safety and quality remained a prominent concern in October, with attention centered on import monitoring, testing, and regulation.

- **U.S. increases import shipping regulations for Canadian agriculture**
The U.S. Department of Agriculture's Animal and Plant Health Inspection Service (Aphis) has suspended exemptions pertaining to the inspection of fruits and vegetables imported from and grown in Canada. Exemptions on commercial vehicle user fees, entering the U.S. from Canada, have also been suspended. There is concern that these new regulations, increasing shipping costs and inspections, will lead to border delays and longer wait times for customers, negatively affecting both Canadian ag exporters and the Canadian trucking industry.
- **Canada challenges new U.S. shipping regulations**
In a submission to the U.S. Department of Agriculture, Canada has formally asked that the U.S. halt plans to charge user fees on Canadian commercial shipments. Canada is claiming the fees and measures are too excessive, and that American officials are ignoring current bilateral safety measures by overemphasizing pest, disease, and bioterrorism risks.
- **Russia's ban on Canadian breeding cattle lifted**
Russia has lifted its ban on Canadian breeding cattle and it is expected that the ban on boneless beef product imports will also be lifted. Before BSE was first found in Canada, Russia was a profitable market for Canadian breeding cattle and beef exports, with a value of over \$4 million.
- **Mexico bans U.S. Lettuce**
Despite the fact that Nunes lettuce tested negative for a deadly strain of E. coli after being recalled by Nunes Company Inc. as a precaution, Mexico's Department of Health has announced that it will block all U.S. lettuce from entering the country. Mexico's implementation of such a broad import ban has both confused and shocked U.S. politicians and local growers.
- **Japan to test U.S.-origin rice**
Japan's Ministry of Agriculture, Forestry and Fisheries announced that it will begin testing all U.S. medium and short grain rice and rice stocks for the presence of BayerCrop Science's genetically enhanced LibertyLink601 rice. This announcement was met with surprise and disappointment by Californian industry leaders as Japan is the largest market for California medium and short grain rice.

*As Japan tightens testing of U.S. rice, it has awarded Vietnam a contract to supply 7,000 tonnes of rice to Japan. This is Vietnam's fifth contract this year for exporting rice to Japan.

- **EU to monitor Brazilian cattle**

While visiting Brazil, Markos Kypriano, the head of EU food safety, warned the *Brazilian Agriculture Confederation* that the EU will begin to monitor Brazilian cattle. The EU is particularly concerned with foot-and-mouth disease outbreaks in Brazil, and will largely use certificates of origin and traceability measures to monitor cattle.

- **Philippines lifts meat and meat products ban of Japanese cattle**

The *Philippine Department of Agriculture* has lifted the country's temporary suspension of meat and meat products derived from Japanese cattle. The temporary suspension was prompted due to concerns of BSE, however the risk of the BSE entering the Philippines as a result of Japanese product imports was found to be insignificant. Japanese imports of these products must still meet several conditions in order to gain entry into the Philippines.

Organic product demand is continuing to drive consumer markets and affect both ag industry development and retailing

- **Decrease in Canadian organic farming**

Despite growing demand for organic products, *Canadian Organic Growers* found that the number of producers and processors of organic goods is declining. It is estimated that Canadian demand is growing by more than 20% annually, and with a declining Canadian organic farming industry the already existent supply/demand gap will deepen. British Columbia was one region where organic farms increased in 2005, by 9.5%.

- **Wal-Mart Canada to enter organic market**

Canada's growing billion-dollar organic grocery industry has attracted the attention of *Wal-Mart Canada*, who is looking to increase market competition by entering the industry and offering consumers lower prices.

- **Strong future growth for U.S. organic market**

A report by *Mintel* estimates the U.S. organic food market value at \$3.6 billion in 2006, with continued strong growth expected for the next five years. Increased availability of these products at conventional retail channels will further help to fuel this growth, with demand for organic fruits and vegetables and prepared food projected to be the strongest.

- **U.S. organic manufacturers lobby for legislation**

Strong organic consumer demand and insufficient organic produce supply is leading U.S. manufacturers to push for legislation that will support and persuade U.S. farmers to increase organic production. Farmers entering or converting to organic production often face a number of difficulties and manufacturers are seeking legislation that will reduce these barriers, such as farmer incentives, increased organic project research funding, and enforcement of organic labeling standards.

- **Subsidies for Bulgaria's organic produce industry**

€12.6 million worth of subsidies will be dispersed to Bulgarian organic farmers and food producers. The country is hoping to profit from the growing organic export market, particularly within the EU where the organic food sector is valued at €15 billion and continues to grow.

- **New Zealand companies to promote natural products**

The natural products market is growing and gaining momentum globally, particularly in nutraceuticals, cosmetics, and health industries. To market and promote New Zealand's capabilities and potential in this market, eight New Zealand natural product companies are venturing to the U.S. to participate in the largest health and innovative ingredients event in the world, *SupplySide West*.

Increasing consumer demand for healthy food and beverage alternatives is quickly expanding this market and leading manufacturers to develop a variety of novel products for consumer consumption.

- **China's healthy beverage market growing**

Increased importance on healthy food and beverages is leading to augmented health drink growth in the Chinese beverage market. Iced tea sales increased 30% in 2005, and currently account for 10% of all soft drink volume. Bulk/HOD water sales have increased 9%, and fruit and herbal flavoured drinks are expected to grow in 2006.

- **Growing health snack market presents opportunities**

Mars company has launched a new chocolate line that is rich in cocoa flavonols; antioxidant compounds that are considered to reduce clotting and improve healthy blood flow. The new line was created in response to consumer demand for healthy snacks, and a trend towards less consumption of 'carefree' snacks and increased consumption of healthier snack products.

- **Innovative new fruit products**

Growing consumer interest in healthier food products has also lead manufacturers to develop new and innovative fruit products. Two new fruit alternatives entering the market are grapes injected with carbon dioxide, by *Fizzy Fruit Company*, and a square-shaped watermelon by *Tesco*.

- **Whey-drink to lower blood-pressure**

Researches have discovered a method of turning whey, a dairy processing byproduct, into a drink which may potentially aid in lowering blood pressure. The drink has proven to lower blood pressure in animal tests and could provide increased dairy industry profitability.

- **New fruit packaging developed**

The Greenery, a Dutch marketing co-operative, is introducing new packaging for soft fruits. The packaging combines a unique top film and transparent tray which seal in the fruit to maintain an optimal atmosphere and keep the fruit fresh longer. Tests on strawberries found that in ideal storage conditions the packaging can keep fruit fresh for three days longer.

The fish and seafood industry experienced considerable activity in October news with market promotion and relationship building.

- **Industry collaboration between Canadian company and Seafood Shetland**

Seafood Shetland hosted mussel farmers, from Canadian company *Ocean Choice International*, who were interested in the functioning of the Shetland mussel industry, particularly the systems and quality standards. *Seafood Shetland* was similarly fascinated in learning more about Canada's progress and development in the industry.

- **International marketing of Alaska seafood**

The Alaska Seafood Marketing Institute has been actively promoting Alaska seafood at a number of overseas trade shows around the world. Last month salmon was the focus of promotion at a trade show in Russia, black cod and salmon were showcased in Spain, and smoked sockeye, king crab legs, and ikura will be promoted at an upcoming show in China.

- **Japan import growth of fishery products**

While the Japanese domestic fishery sector is declining, Japan's fishery product imports increased 2% in 2005. Japan is the largest fishery products importer in the world, and although there are efforts underway to increase and promote domestic production, it is expected that imports will remain a prominent facet in the industry.

- **Growth in Vietnam seafood exports to Japan**

Japan is becoming a very lucrative market for Vietnam seafood exports. Vietnam's seafood exports to Japan this year will be greater than \$750 million, with potential seafood exports of \$1-1.2 billion in 2010. Frozen shrimp, frozen cuttlefish and fish were the most prominent exports to Japan, with Vietnam's largest export markets after Japan being the U.S. and China.

*September news highlighted Vietnam's growing seafood industry; however several countries, including Japan, experienced issues with Vietnam seafood quality. Despite this impediment, Vietnam's seafood export market to Japan continues to expand, demonstrating the country's growing strength and potential in this industry. However, Japan's increasing import market also bodes well for the Canadian seafood industry as Japan is Canada's 2nd largest seafood export market.

- **Auckland seafood festival**

Auckland's first seafood festival was a success, attracting over 15,000 visitors. Such a lucrative beginning demonstrated growing interest in the seafood industry and the event is expected to continue to expand and grow in the future.

- **Benefits of fish consumption greater than potential risks**

Two new U.S. studies have found that the potential risks of methylmercury, PCB, and dioxin contamination, due to regular consumption of seafood, are outweighed by the health benefits of regular consumption on the risk of heart disease, neurodevelopment, eye and joint health, and several of other health factors.

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