

Opportunities for U.S. Agricultural Exports in Canada

Canada is the United States' largest export market for agricultural and agricultural-related products (includes distilled spirits, ethanol, biodiesel, fish, and forest products) with exports valued at \$25 billion in 2018, accounting for more than 15 percent of total U.S. agricultural exports to the world. Canada is the only market where U.S. agricultural exports have consistently exceeded \$20 billion every year since 2010. Two-way trade between the United States and Canada is also significant for the food and agriculture industries. The U.S.-Canada open trade border provides opportunities for cross-border collaboration between businesses, and as a result, the two countries maintain the world's largest bilateral trading relationship with almost \$170 million of food and agricultural products crossing the U.S.-Canada border every day. In 2018, bilateral trade of agricultural and related products between the United States and Canada totaled more than \$62 billion.

Part of the success for the United States in the Canadian market is attributable to the multitude of sales opportunities for a diverse mix of consumer-oriented products and food processing ingredients. Canada is also among the wealthiest countries on a per capita basis. According to the *CIA World Factbook*, Canadian GDP per capita is \$48,400 on a purchasing power parity basis, which ranks eighth among countries with populations greater than 10 million. As with the United States, the wealth of Canadian consumers leads to a highly developed and diverse food and beverage sector which creates opportunities for U.S. food and beverage ingredient exports, as well as product distribution channels for consumer-oriented product sales. In addition, geographic proximity, business, and cultural similarities also make Canada an ideal market for new-to-export, small, and medium-sized companies looking to expand beyond the U.S. domestic market. The population of Canada is 36 million, with nearly 90 percent living within 100 miles of the U.S. border.

Over the last decade, since the global recession, the Canadian import market for agricultural and related products has rebounded and grown from \$29.2 billion in 2009, to \$41.6 billion in 2018, an increase of 43 percent. U.S. market share over that period averaged 59 percent, but slipped to 56 percent in 2018, due in part to retaliatory duties imposed (and since lifted in May 2019) on imports of some U.S. products. Despite improved market access for several U.S. competitors as a result of Canada's free trade agreement with the European Union (EU), which entered into force September 2017, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which entered into force December 2018, the United States remains the leader in Canada's agricultural import market. Furthermore, a well-developed food safety regulatory structure, and broad market access secured under the North American Free Trade Agreement (NAFTA) and retained in the signed, but not yet in force, U.S.-Mexico-Canada Agreement will continue to provide U.S. exporters an excellent opportunity for sales growth in Canada.

U.S. Agricultural & Related Product Export Composition to Canada (January – December, Million USD)						
	2014	2015	2016	2017	2018	2014-18 % Change
Total U.S. Ag. & Related Exports	26,514	25,058	24,313	24,722	25,004	-6
Consumer-Oriented Total¹	18,475	17,974	17,435	17,506	17,414	-6
Prepared Grocery Foods ²	4,386	4,479	4,380	4,423	4,491	2
Fresh & Processed Vegetables	2,476	2,490	2,398	2,491	2,484	0
Fresh & Processed Fruit	2,288	2,123	2,094	2,082	2,019	-12
Non-Alcoholic Bev. & Juices	1,793	1,678	1,591	1,499	1,465	-18
Seafood	951	914	1,020	936	958	1
Distilled Spirits, Wine & Beer	863	808	777	812	803	-7
Pork & Pork Products	904	778	798	793	765	-15
Beef & Beef Products	1,029	900	758	791	746	-28
Chocolate & Cocoa Products	702	725	749	748	713	2
Tree Nuts	661	686	598	643	696	5
Dog & Cat Food	630	602	597	640	650	3
Dairy Products	591	554	630	637	641	8
Poultry Meat & Eggs	741	777	608	561	526	-29
<i>Other Misc. Consumer Oriented</i>	<i>461</i>	<i>458</i>	<i>437</i>	<i>450</i>	<i>457</i>	<i>-1</i>
Intermediate Products Total	3,815	3,344	3,304	3,394	3,521	-8
Essential Oils	368	408	414	433	454	23
Sugar, Sweeteners, Bev. Bases	400	384	419	409	391	-2
Planting Seeds	374	305	302	343	389	4
Soybean Meal	519	330	281	317	354	-32
Vegetable Oils (ex. soybean)	440	347	336	299	290	-34
Live Animals	110	118	126	251	263	140
<i>Other Intermediate</i>	<i>1,605</i>	<i>1,452</i>	<i>1,426</i>	<i>1,342</i>	<i>1,380</i>	<i>-14</i>
Bulk Commodities Total	841	780	781	844	1,132	35
Corn	154	212	146	131	309	100
Soybeans	139	80	106	145	269	93
<i>Other Bulk</i>	<i>548</i>	<i>488</i>	<i>528</i>	<i>569</i>	<i>554</i>	<i>1</i>
Biofuels & Forest Products	3,382	2,960	2,794	2,977	2,939	-13
Forest Products	2,271	2,100	1,988	1,990	2,059	-9
Biofuels (ethanol & biodiesel)	1,111	859	806	987	880	-21

Source: U.S. Census Bureau Trade Data, BICO-HS10

¹ Includes all consumer-oriented agricultural products per USDA's agriculture definition as well as consumer-oriented distilled spirits and seafood considered agricultural related products

² Prepared Grocery Foods include breakfast cereals, condiments & sauces, snack foods, and prepared foods

Select Products - Growth and Competitors

Of the 48 major export commodity groups tracked through USDA's Global Agricultural Trade System, Canada is the number one export market for 19, and either the second- or third-largest market for 15 others. Below is a summary of import market growth over the last five years for several commodity groups, the U.S. market share for those groups, and the primary competitors.

Bakery Goods (breads, pastries, cookies, crispbreads, etc.)

Total Canadian Imports from the World --- \$1.6 billion

5-year percent change +4%, annual import growth rate +1%

The United States holds a dominant market share of over 75 percent for the baked goods import market in Canada, with shipments valued at nearly \$1.2 billion in 2018. Baked goods from the EU were valued at \$190 million and hold a steady market share of 12 percent. Imports of baked goods from Mexico, China, and India round out the top five suppliers. In 2018, U.S. exports of breads to Canada were \$500 million, pastries accounted for another \$350 million, cookies/sweet biscuits exports were valued at over \$150 million, while shipments of corn chips and other savory snacks totaled \$135 million.

Condiments and Sauces

Total Canadian Imports from the World --- \$806 million

5-year percent change +11%, annual import growth rate +2%

Canadian imports of condiments and sauces from the United States were valued at nearly \$650 million in 2018 and accounted for 80 percent of total imports. Imports from the EU were the second largest, valued at nearly \$70 million, followed by China and Thailand at \$19 million and \$12 million, respectively.

Fresh Vegetables

Total Canadian Imports from the World --- \$2.6 billion

5-year percent change +8%, annual import growth rate +2%

Canada's NAFTA partners, the United States and Mexico, dominate Canadian imports of fresh vegetables with the U.S. market share of 62 percent valued at \$1.6 billion and Mexico's market share of 30 percent valued at \$790 million. Primary U.S. vegetable shipments to Canada included lettuce (\$333 million), broccoli/cabbage (\$243 million), cauliflower (\$128 million), and spinach (\$110 million). Primary imports from Mexico included tomatoes (\$231 million), peppers (\$176 million), and cucumbers (\$56 million).

Processed Vegetables

Total Canadian Imports from the World --- \$1.1 billion

5-year percent change +4%, annual import growth rate +1%

Processed vegetable imports from the United States totaled nearly \$650 million in 2018, led by prepared potatoes (\$185 million), chilled/frozen mixed vegetable preparations (\$110 million), canned tomatoes (\$70 million), and pickles (\$51 million). U.S. market share in the processed vegetable category has fallen over the last five years from 64 percent to 59 percent as Canada is importing more from the EU and other suppliers. EU market share is at 16 percent, followed by China at 10 percent, and Mexico at 3.5 percent.

Fresh Fruit

Total Canadian Imports from the World --- \$3.6 billion

5-year percent change +3%, annual import growth rate +1%

Canada imported \$1.4 billion of fresh fruit from the United States in 2018. Strawberries (\$293 million), grapes (\$184 million), apples (\$151 million), oranges (\$122 million), cherries (\$114 million), and raspberries/blackberries (\$105 million) accounted for the majority of fresh fruit shipments. Imports of fresh fruit from Mexico have grown by 39 percent from 2014 to 2018. Imports of Mexican avocados have significantly increased over that period from \$130 million to \$215 million. In addition, Canada is importing more raspberries/blackberries from Mexico. The United States had been the top supplier, but imports from Mexico have grown 44 percent over the last five years and raspberry/blackberry shipments to Canada totaled \$186 million in 2018.

Distilled Spirits

Total Canadian Imports from the World --- \$806 million

5-year percent change +6%, annual import growth rate +1%

EU exporters hold the majority of the distilled spirits import market share in Canada at 59 percent, followed by those from the United States at 24 percent. The primary distilled spirit imports from the EU are whiskies (\$165 million), while imports of U.S. whiskey/bourbon were valued at \$49 million in 2018. Tequila sales from Mexico are up 42 percent from 2014 to \$47 million in 2018. As a result, Mexican market share for overall imported distilled spirits has grown from 6 percent to 7.2 percent. China and New Zealand round out the top five suppliers with market shares of 1.7 percent and 1.1 percent, respectively.

Seafood

Total Canadian Imports from the World --- \$2.8 billion

5-year percent change +1%, annual import growth rate +0.2%

The United States is the top supplier of seafood to Canada with sales of nearly \$1 billion in 2018 and control of just over a third of the import market. Primary seafood imports from the United States were lobsters (\$292 million), salmon (\$275 million), crab (\$71 million), and scallops (\$40 million). China was the second largest supplier with shipments totaling \$424 million, followed by Thailand (\$244 million), Vietnam (\$232 million), and Chile (\$166 million). The primary seafood imports from China and Vietnam were shrimp, while from Thailand the primary import was preserved tuna.

Changing Consumer Demand Offers Opportunities for U.S. Export Growth

The United States has long been the major supplier of agricultural imports for Canada, however, demographic changes are underway for U.S. exporters to consider. There are more Canadians over 65 years old than under 15 years old. While healthier foods are in demand across generations, health conscious senior citizens have become the fastest-growing age group in Canada, and U.S. exporters may look to tailor their product sizing and packaging accordingly, to meet the demands of this growing population. Immigration is also a key factor in Canada, where 21.5 percent of the population was born abroad according to Statistics Canada's 2016 Census. This percentage of immigrants represents the largest proportion among G8 countries. By point of comparison, the Pew Research Center states that immigrants account for 13.6 percent of the U.S. population. Canada's large immigrant base opens the door for a broader variety of foods to be sold as traditional grocers look to expand the scope of their offerings to meet the demand of an increasingly diverse clientele.

There are also challenges as Canada continues to move progressively forward in opening its borders to new trade partners through free trade agreements. Improved market access for competitors will result in preference erosion for U.S. exporters where Canada maintained higher most favored nation tariffs than the duty-free treatment afforded most products through NAFTA. U.S. shippers need to be cognizant of competitors' tariffs that are being phased-out over time through trade agreements that may match NAFTA duty-free treatment. However, despite this challenge, U.S. farmers, ranchers, and food processors are well positioned to continue to meet the changing demands of Canadian consumers for high-value, quality products.

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