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Canada

Frozen French Fries

Processing Expansion and Rising Production Forecast for Canadian Frozen French Fry Industry

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Prepared by:

Norval Francis

U.S. Embassy Ottawa

Drafted by:

George Myles

Report Highlights:

The construction of a new processing facility in Alberta by a major U.S. potato processor points to continued increases in the production and export of Canadian frozen french fries. Potato acreage in western Canada is rapidly expanding to meet processor demand.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

*Increased Canadian potato production, mostly in western Canada, is being driven by processor demand for potatoes for frozen french fry production. Total Canadian potato production in 1998 is estimated by Statistics Canada to be up nearly 3 percent over the year earlier level. Continued expansion in potato area is forecast for 1999 reflecting the construction of a new processing facility in Alberta.

*Lamb-Weston, Inc., a ConAgra company, is building a state-of-the-art potato processing plant near Taber, Alberta. The plant is expected to become operational in mid-1999 and process frozen french fries for world foodservice markets.

*Post forecasts Canadian frozen french fry production to exceed one million metric tons by the year 2000. About sixty percent of production will be exported. There are no official Canadian data on frozen french fry production.

*Increased production, contracts to supply major U.S. fast food companies, and a lower valued Canadian dollar provided the impetus for a dramatic 30 percent increase in total Canadian frozen french fry exports during MY1997/98. Exports to the United States, at 373,945 metric tons, accounted for more than 83 percent of total Canadian frozen french fry exports in MY1997/98. Exports to the U.S. increased 37 percent over their MY1996/97 level.

*Canadian imports of U.S. frozen french fries nearly doubled in MY 1997/98, reaching more than 27,000 metric tons. Steady increases are projected for future years when Canadian revisions to package size requirements, scheduled for late December 1998, increase U.S. marketing opportunities for frozen french fries in Canada's foodservice sector.

**Exchange rates: Prices and values in this report are expressed in Canadian dollars. Exchange rates are 1996, C\$=US\$.7334; 1997, C\$=US\$.7223; December 1998, C\$= approximately US\$.6500.

Production

Production Developments

Lamb-Weston, Inc., a ConAgra company, is building a state-of-the-art potato processing plant near Taber, Alberta. The plant is expected to become operational in mid-1999 and process frozen french fries for the foodservice market. The company evaluated each of Canada's prairie provinces before determining that an Alberta location would best serve U.S. and international markets. Lamb-Weston joins McCain and Nestle who have invested heavily in new potato processing plants in Manitoba and supply major fast food companies in the U.S. mid-west. As a result, potato acreage in western Canada is increasing sharply and Manitoba has surpassed New Brunswick as the second largest potato producing province (after Prince Edward Island). Potato area in Alberta is expected to increase by about 10,000 acres to near 40,000 over the next few years to supply Lamb-Weston's new plant.

Production Outlook; Supply and Distribution

There are no official statistics on Canadian frozen french fry potato production. Post estimates current capacity

at about 900,000 metric tons expanding to over one million metric tons by the year 2000. With the exception of the trade elements, the data below in the supply and distribution table are post estimates. Sources indicate that Canadian per capita consumption of frozen french fries (currently estimated at about 32 lbs.) is below the U.S. level.

Frozen French Fry Supply and Disposition				
Marketing Year: July/June				
Units: Metric Tons				
	1996/97	1997/98	1998/99	1999/00
Desig. Year	1996	1997	1998	1999
Beg. Stocks	55,000	45,000	45,000	40,000
Production	760,000	860,000	900,000	940,000
Imports	12,149	27,733	30,000	35,000
Total Supply	827,149	932,733	975,000	1,015,000
Exports	345,434	447,677	500,000	540,000
Dom. Consump.	436,715	440,056	435,000	440,000
End. Stocks	45,000	45,000	40,000	35,000
Total Distribution	827,149	932,733	975,000	1,015,000
Source: Imports/exports; Statistics Canada				
Stocks, production, consump.= post estimates				
fryps&d.wk4				
est. percap (lbs.)	33.1	32.3	31.9	31.9

Potato Situation & Outlook

According to Statistics Canada's first estimate of potato production release November 19, 1998, Canadian potato production in 1998 was up 2.6 percent from a year earlier (see table on the next page). The sharpest increases were in the western provinces where production increases helped offset a 4 percent production decline in Prince Edward Island, the country's major potato producing province. Statistics Canada will release its second estimate of 1998 potato production on January 22, 1999.

Potato Production, by Province

Canada: Potato Production, By Province				

	Area	Area	Area		Total
	Planted	Harvested	Harvested	Yield	Production
	(acres)	(acres)	(ha.)	(mt/ha.)	(MT)
			(rounded)		
1997					
Newfoundland	800	800	300	15.7	4,700
P.E.I.	112,000	112,000	45,300	29.7	1,346,300
Nova Scotia	4,800	4,600	1,900	20.8	39,600
New Brunswick	56,000	56,000	22,700	29.1	660,400
Quebec	46,900	46,200	18,700	24.3	455,000
Ontario	38,800	38,800	15,700	22.4	352,000
Manitoba	72,000	70,500	28,500	24.7	703,500
Saskatchewan	8,500	8,500	3,400	27.8	94,500
Alberta	31,000	30,500	12,300	32.6	401,200
British Columbia	8,800	7,000	2,800	25.5	71,400
TOTAL	379,600	374,900	151,600	27.2	4,128,600
1998					
Newfoundland	800	700	300	12.7	3,800
P.E.I.	112,000	110,000	44,500	29.2	1,297,300
Nova Scotia	5,000	4,800	1,900	24.1	45,700
New Brunswick	57,000	56,700	22,900	29.2	668,700
Quebec	44,500	43,500	17,600	26.2	461,100
Ontario	43,100	43,100	17,400	20.2	351,900
Manitoba	74,000	72,500	29,300	26.4	772,800
Saskatchewan	12,500	12,200	4,900	28.2	138,300
Alberta	33,000	32,000	13,000	31.3	406,400
British Columbia	8,400	8,000	3,200	27.8	88,900
TOTAL	390,300	383,500	155,000	27.3	4,234,900
'98 as % '97	103%				103%
Source: Statistics Canada					
crop98.wk4					

Trade

Frozen French Fry Exports by Marketing Year

Canadian frozen french fry exports increased 30 percent in MY1997/98 compared to the prior year. Increased production, contracts to supply major U.S. fast food companies in the United States, and a lower valued Canadian dollar provided the impetus for the dramatic gain. Exports to the United States accounted for more than 83 percent of total Canadian frozen french fry exports in MY1997/98. Exports to the U.S. increased 37 percent over the MY1996/97 level. Startup of the Lamb-Weston project in Alberta by mid-1999, points to a further increase in Canadian exports to the United States. Total Canadian exports in MY1999/00 are expected to approach 550,000 metric tons.

Canadian Frozen French Fry Exports						
Marketing Year: July/June						
Units: metric tons						'97/98
HS 2004.10						as%
						'96/97
	1993/94	1994/95	1995/96	1996/97	1997/98	
United States	128,874	153,401	171,119	273,881	373,945	137%
Japan	16,252	14,881	14,357	23,045	21,130	92%
Venezuela	3,216	2,976	3,026	3,048	5,847	192%
Brazil	1,475	9,093	6,189	3,919	4,835	123%
Malaysia	253	335	2,306	5,778	3,554	62%
Guatemala	832	1,714	2,151	3,268	3,379	103%
Trinidad-Tobago	1,624	1,486	2,852	2,726	2,726	100%
Singapore	1,518	2,029	2,716	2,453	2,100	86%
Saudi Arabia	1,155	1,540	1,497	1,895	2,040	108%
Argentina	1,528	3,366	507	934	971	104%
Indonesia	1,805	2,116	1,807	2,373	872	37%
Others	7,882	25,819	24,189	22,113	26,278	119%
Total	166,415	218,757	232,715	345,434	447,677	130%
03-Nov-98						
frymyxpt.wk4-FAS/Ottawa-Source: Tiers; StatCan.						
Note: HS 2004.10 may include some other frozen potato products						

Value of Marketing Year Exports

Value of Canadian Frozen French Fry Exports			
Marketing Year: July/June			

Units: \$C'000						
HS 2004.10						'97/98
						as%
	1993/94	1994/95	1995/96	1996/97	1997/98	'96/97
United States	97,595	127,934	145,620	227,413	330,677	145%
Japan	15,553	14,243	13,855	22,567	21,428	95%
Venezuela	3,592	3,154	2,854	3,297	6,180	187%
Brazil	1,297	7,284	5,707	4,053	4,745	117%
Guatemala	1,016	2,066	2,309	3,574	3,969	111%
Malaysia	362	436	2,819	6,184	3,577	58%
Chile	624	1,515	1,716	2,111	3,404	161%
Korea, South	24	600	1,477	3,678	3,190	87%
Trinidad-Tobago	1,846	1,721	2,583	2,587	2,839	110%
Saudi Arabia	1,443	1,757	1,562	2,187	2,424	111%
Singapore	1,672	2,015	2,610	2,350	1,923	82%
Others	10,778	32,054	22,812	22,334	24,915	112%
Total	135,802	194,781	205,923	302,336	409,270	135%
03-Nov-98						
valuexp.wk4-FAS/Ottawa-Source: Tiers; StatCan.						
Note: HS 2004.10 may include some other frozen potato products						

Imports of Frozen French Fries by Marketing Year

Canadian imports of U.S. frozen french fries nearly doubled in MY 1997/98 reaching more than 27,000 metric tons. Steady increases are projected in future years, albeit tempered by the weak Canadian dollar, when Canadian revisions to package size requirements, scheduled for late December 1998, increase U.S. marketing opportunities in Canada's foodservice sector (see Policy Section).

Canadian Frozen French Fry Imports						
Marketing Year: July/June						
Units: metric tons						
HS 2004.10						'97/98
						as%
	1993/94	1994/95	1995/96	1996/97	1997/98	'96/97
United States	7,432	7,366	11,508	12,073	23,478	194%
Belgium	32	65	68	51	136	269%
United Kingdom	9	10	30	16	71	439%
Netherlands					49	
Others	2	4	27	9	60	667%
Total	7,475	7,445	11,632	12,149	23,793	196%
03-Nov-98						
importmy.wk4-FAS/Ottawa-Source: Tiers; StatCan.						
note: HS 2004.10 may contain other frozen potato products						

Value of Canadian Frozen French Fry Imports						
Marketing Year: July/June						
Units: \$C'000						
HS 2004.10						'97/98
						as%
	1993/94	1994/95	1995/96	1996/97	1997/98	'96/97
United States	8,479	8,944	11,762	14,338	27,319	191%
Belgium	51	104	142	107	213	200%
United Kingdom	14	13	50	27	73	271%
Netherlands					72	
Others	3	5	37	14	56	415%
Total	8,548	9,066	11,991	14,485	27,733	191%
03-Nov-98						
valueimp.wk4-FAS/Ottawa-Source: Tiers; StatCan.						
note: HS 2004.10 may contain other frozen potato products						

Frozen French Fry Exports by Calendar Year

Canadian Frozen French Fry Exports							
1994-1997 Calendar Years;							
1997&1998 Jan.-August Comparisons (top 5 markets)							
metric tons							
HS=2004.10							
					7 mos.	7 mos.	'98 as
	1994	1995	1996	1997	1997	1998	%'97
United States	139,866	160,309	211,746	324,107	201,718	260,341	129%
Japan	16,229	14,679	16,826	23,058	14,799	13,922	94%
Malaysia	232	1,105	3,664	6,148	4,615	1,207	26%
Venezuela	3,224	3,574	2,445	4,565	2,333	4,253	182%
Brazil	4,819	9,018	4,430	4,415	2,746	2,824	103%
Guatemala	1,323	1,891	2,827	3,475		2,142	
Trinidad-Tobago	1,811	2,303	2,504	3,145		1,303	
Singapore	1,852	2,589	1,847	2,724		1,433	
Chile	651	1,541	946	2,396		1,881	
Indonesia	1,913	2,022	1,938	2,066		173	
Saudi Arabia	1,155	1,847	1,654	1,902		1,391	
Others	11,890	32,706	22,072	23,802		15,410	
Total	184,965	233,585	272,899	401,803	253,767	306,280	121%
30-Oct-98							
fryxpt98.wk4-FAS/Ottawa-Source: Tiers; StatCan.							

Frozen French Fry Imports by Calendar Year

Canadian Frozen French Fry Imports								
1994-1997 Calendar Years								
1997&1998 Jan.-August Comparisons								
Units: metric tons								
HS=2004.10								
						7 mos.	7 mos.	'98 as
						1997	1998	% '97
United States	7,362	7,543	13,032	18,125		10,424	17,066	164%
Belgium	74	74	67	63		14	89	637%
United Kingdom	17	12	25	49		11	47	426%
Netherlands						0	49	
Others	5	18	17	53		42	45	108%
Total	7,459	7,647	13,141	18,291		10,491	17,296	165%
03-Nov-98								
cyimport.wk4-FAS/Ottawa-Source: Tiers; StatCan.								
note: HS 2004.10 may include other frozen potato products								

Policy

For years, U.S. exports of frozen french fries faced onerous packaging size rules which limited sales to Canada. Following seven years of U.S. representation against restrictive regulatory rules, one of which required 500 gram metric multiple labeling, proposed changes by the GOC to the regulation in March, 1998 were welcomed by the U.S. potato industry. Canada's regulatory proposal, published in the Canada Gazette, Part I, 3/7/98, calls for the establishment of new container sizes for frozen french fries to accommodate imports in common foodservice industry package sizes. In addition to the standard container sizes specified in Canada's Processed Product Regulations for frozen french fries, 250 g; 500 g; 1 kg; 1.25 kg; 1.5 kg; and 2 kg, the regulations are being revised to include "any size over 2 kg but not over 20 kg." The change is expected to become official in late December 1998 when the final rule is published in the Canada Gazette. For U.S. exporters, the relaxed rule means they can export wholesale cartons of frozen french fries containing inner bags in the common U.S. food service industry sizes provided the inner bags have no markings. If inner bags are marked, full labeling requirements apply (bilingual labeling, ingredients, etc.).

Marketing

When the Canadian container size regulations for frozen french fries are officially revised in late December 1998 (see Policy Section above), U.S. exporters will have improved opportunities for marketing frozen french fries in Canada. U.S. frozen french fry sales to Canadian foodservice buyers will no longer be hindered by special metric labeling declarations and can offer Canadian foodservice customers common U.S. industry package sizes. For retail sales (in the sizes specified above under 2 kg), U.S. exporters must ensure that their retail packaging complies with the basic packaging and labeling requirements for foods (French and English, metric sizes, ingredients, etc.). For further information contact the Canadian Food Inspection Agency (CFIA), Processed Products Division, Nepean, Ontario, telephone (613) 225-2342 or visit the CFIA packaging and labeling website at <http://www.cfia-acia.agr.ca/english/food/label/home.html>

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FAS/Ottawa e-mail: usagr@istar.ca

Additional Information:

For additional information on the fresh and processed potato industries of the United States and Canada see the U.S. International Trade Commission's Publication 3050, July 1997 entitled Fresh and Processed Potatoes: Competitive Conditions Affecting the U.S. and Canadian Industries. The USITC website is <http://www.usitc.gov>