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## Canada

## Potatoes and Potato Products

## Annual

## 2008

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**Report Highlights:**

Canadian harvested area for potatoes in 2008/09 could fall to 148,000 hectares, more than 11,000 hectares, or 7% below the year earlier level reflecting a combination of lower planted area and harvest problems due to wet weather in Prince Edward Island, Canada's leading potato producing province. Post forecasts total Canadian potato production from the 2008 harvested crop (MY2008/09) to reach about 4.70 million metric tons (MMT), 5.4% below 4.97 MMT produced last year. For MY2008/09, Post forecasts Canadian frozen french fry production to fall to about 1.275 MMT, 2% below a year ago reflecting prospects for reduced supplies of processing potatoes and weaker export market demand particularly in the United States given the general economic downturn.

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## Executive Summary

THE INFORMATION IN THIS REPORT IS NOT OFFICIAL USDA DATA

\* High input costs, uncertainty over processing contracts, the trend to increasing yields, and falling domestic consumption of table potatoes led Canadian potato growers to reduce total MY2008/09 plantings to 156,740 hectares, down 2.5% from 160,787 hectares planted a year earlier.

\* Canada's top potato producing provinces in order are Prince Edward Island (PEI), Manitoba, New Brunswick, Alberta, Quebec, and Ontario. Combined, the six provinces account for 95% of total Canadian potato production. Across all regions, potatoes are mostly planted in late April and May. The harvest of early varieties begins in August but the main harvest is the mid-September to late October period. They are marketed from storage facilities to fresh and processing markets over the next ten months.

\* Canadian harvested area for potatoes in 2008/09 could fall to 148,000 hectares, more than 11,000 hectares, or 7% below the year earlier level reflecting a combination of lower planted area and harvest problems due to wet weather in P.E.I., Canada's leading potato producing province that normally accounts for about 25% of total Canadian potato production.

\* Post forecasts total Canadian potato production from the 2008 harvested crop (MY2008/09) to reach about 4.70 million metric tons (MMT), 5.4% below 4.97 MMT produced last year. Although the impact of adverse weather on P.E.I. production remains unknown at this juncture, preliminary reports from Manitoba and Alberta indicate that potato yields in those provinces are running above average, a development that is expected to offset some of the anticipated crop loss in Prince Edward Island.

\* In November 2007, the United States and Canada signed the *Technical Arrangement Concerning Trade in Potatoes* designed to facilitate potato trade between the two countries. One of the major elements includes more predictable access for U.S. potatoes via Canadian Ministerial exemptions which are generally granted by the Government of Canada only when there is a proven shortage of potatoes in Canada. When fully implemented in Year 3, the Arrangement will allow a 60-day forward contract between U.S. growers and Canadian processors to serve as sufficient evidence of a shortage in Canadian potatoes. Also, the United States initiated a rulemaking in April 2008 to allow some Canadian specialty potatoes that did not meet U.S. quality standards for size to enter the U.S. market.

\* For MY2008/09, Post forecasts Canadian frozen french fry production to fall to about 1,275,000 MT, 2% below a year ago reflecting prospects for reduced processing potato supplies and weaker demand for frozen french fries in the top export market, the United States, given the economic downturn.

\* The total value of Canadian frozen french fry exports during MY2007/08 exceeded \$835 million making frozen french fries Canada's sixth most important single agricultural export commodity after wheat, \$6.2 billion; fresh or frozen pork, \$1.8 billion; live cattle, \$1.7 billion; breads and pastries; \$1.2 billion and fresh or frozen beef, \$908 billion (during the same July/June period).

## Section I. Fresh Potatoes

### Planted Area

Canadian potato farmers reduced their 2008 planted area to potatoes to 156,740 hectares, down 2.5% from 160,787 hectares planted a year earlier. There were several reasons for the drop in area which included high input costs, uncertainty over processing contracts, the trend of increasing yields, and the trend of reduced domestic consumption of table potatoes. Statistics Canada's first estimate of the current crop's production will be released in late November 2008.

<b>CANADA: Fresh Potatoes; Area, Production, Consumption, Trade</b>				
<b>Marketing Year: July/June</b>		<b>MY2006/07</b>	<b>MY2007/08</b>	<b>MY2008/09*</b>
Area planted (hectares)				
	Total	162,649	160,787	156,740
	For Fresh Market	58,554	57,883	56,426
	For Processing	104,095	102,904	100,314
Area Harvested (hectares)				
	Total	158,238	158,966	148,000
	For Fresh Market	56,966	57,228	50,320
	For Processing	101,272	101,738	97,680
Production (metric tons)				
	Total	5,091,252	4,969,506	4,700,000
	For Fresh Market	1,832,851	1,789,022	1,700,000
	For Processing	3,258,401	3,180,484	3,000,000
Consumption (metric tons)				
	Total	4,785,466	4,628,104	4,330,000
	For Fresh Market	1,527,065	1,447,620	1,330,000
	For Processing	3,258,401	3,180,484	3,000,000
Trade (metric tons)				
	Imports	158,257	170,438	180,000
	Exports	464,043	511,840	550,000
Source: Statistics Canada & Post Estimates				
Notes: Statistics Canada does not report separate planting, production or consumption data by end use.				
All fresh market and processing shares are post estimates.				
HS Codes for import and export trade do not delineate end use.				
* Except for plantings, all 2008/09 data are post forecasts				

## Harvested Area

Canadian harvested area for potatoes in 2008/09 could fall to 148,000 hectares, more than 11,000 hectares, or 7% below the year earlier level reflecting a combination of lower planted area and harvest problems due to wet weather in Prince Edward Island (P.E.I.), Canada's leading potato producing province that normally accounts for about 25% of total Canadian potato production. The extent of the P.E.I. crop loss due to persistent wet weather throughout August and September is not yet known but concerns are rising among industry officials that the economic impact may be significant because the number of hectares being abandoned was rising as the harvest continued. The federal and P.E.I. provincial government responded on October 1, 2008 with a \$12.4 million financial aid program to offset some of the losses associated with abandoning fields or destroying rotting potatoes (See Policy Section). As a result, Post forecasts that harvested area from the 2008 Canadian crop could fall to about 148,000 hectares, 7% below 158,966 hectares harvested last year.

## Production

Post forecasts total Canadian potato production from the 2008 harvested crop to reach about 4.70 million metric tons (MMT), 5.4% below 4.97 MMT produced last year. Although the impact of adverse weather on P.E.I. production remains unknown at this juncture, preliminary reports from Manitoba and Alberta indicate that potato yields in those provinces are running above average, a development that is expected to offset some of the anticipated crop loss in Prince Edward Island.

## Consumption

Statistics Canada does not record planting, production, or consumption data by market end use. Consequently, all data on these elements in the previous table are Post estimates. In addition, current HS codes for import and export trade of fresh potatoes do not delineate end use. As a result, fresh potato trade between the two countries is not further separated into potatoes destined for either processing for fresh market. However, growers and processors on both sides of the border are interested in having this data available. In February, the United Potato Growers of America and the National Potato Council met with the Fresh Products, Marketing Order Administration and Market News Branch of the USDA's Agricultural marketing Service to discuss the issue of obtaining accurate and timely information regarding potato imports for the fresh market from Canada.

## Trade

## Imports

All of Canada's imports of fresh potatoes are from the United States. During MY2007/08, Canada imported 170,438 MT of U.S. fresh potatoes; almost 8% above 2006/07 imports of 158,257 MT when import levels slipped reflecting the near-record Canadian crop harvested that year. For 2008/09, fresh potato imports from the United States are expected to increase by about 5% given prospects for lower Canadian production.

Canada: Imports of Fresh Potatoes, excluding seed						
Marketing Year: July/June						
Quantity: Metric Tons						
Value: US\$ million						
HS Code: 0701.90						
Country	2005/06		2006/07		2007/08	
	Quantity	Value	Quantity	Value	Quantity	Value
	MT	\$US mil.	MT	\$US mil.	MT	\$US mil.
The World	189,770	77.5	158,257	75.3	170,438	77.5
United States	189,770	77.5	158,257	75.3	170,438	77.5
Source: World Trade Atlas						

## Exports

Total Canadian exports of fresh potatoes during MY2007/08 increased to 511,840 MT, up 10.3% from the year earlier level of 464,043 MT. As shown on the table below, virtually all of the increase in exports was attributable to increased exports to the United States. Fresh potato exports from Manitoba accounted for much of the increase in fresh potato exports to the United States. Industry reports cited reduced production in North Dakota and increased activity by a major U.S. potato processor in that state to source additional potatoes for processing from Manitoba.

Given that estimates of U.S. fall potato production in 2008 are anticipated to be moderately lower, prospects point to increased demand for fresh potatoes from Canada in MY2008/09. Post forecasts increased exports of Canadian potatoes to both the fresh and the processing markets in the United States throughout MY2008/09. As a result, Canadian exports of fresh potatoes to the United States in MY2008/09 are forecast to reach about 480,000 MT and Canadian potato exports to the world could reach 550,000 MT.

There may also be additional demand in the U.S market during MY2008/09 for Canadian fresh potatoes reflecting revised U.S. Standards for Grades of Potatoes. The U.S. Department of Agriculture's Agricultural Marketing Service issued a rule revising the U.S. Standards for Grades of Potatoes (7 CFR Part 51) which became effective on April 21, 2008. It updates and revises the standards in an effort to more accurately reflect current marketing practices and additionally, a revised large size, and Chef and Creamer sizes are included. In Posts estimation, Canada could become an important supplier of fresh potatoes in the Chef and Creamers sizes. Most of the changes were the result of the detailed work performed by the Joint U.S./Canadian Potato Council that was charged with harmonizing the U.S. and Canadian Potato Grade Standards. [Click here](#) for details of the revised grade standards (See also, U.S. Canada Potato Agreement in Policy Section).

<b>Canada: Exports of Fresh Potatoes, excluding seed</b>						
Marketing Year: July/June						
Quantity: Metric Tons						
Value: US\$ million						
HS Code: 0701.90						
Country	2005/06		2006/07		2007/08	
	Quantity MT	Value \$US mil.	Quantity MT	Value \$US mil.	Quantity MT	Value \$US mil.
The World	311,355	104.6	464,043	127.2	511,840	148.9
United States	276,111	95.2	399,662	109.0	444,935	129.4
Trinidad & Tob.	7,278	1.6	20,986	5.3	21,494	5.6
Thailand	5,312	1.7	7,918	2.6	6,312	2.7
Dominican Rep.	6,126	1.4	3,152	0.9	5,398	1.8
Jamaica	2,177	0.4	7,170	1.6	7,817	1.7
Barbados	3,978	1.0	6,258	1.8	5,293	1.5
Indonesia	0	0.0	2,770	1.0	2,756	1.1
Argentina	0	0.0	0	0.0	3,800	1.0
Bahamas	1,734	0.7	1,672	0.8	1,833	0.8
Algeria	0	0.0	0	0.0	3,529	0.6
All Others						
Source: Derived from World Trade Atlas						

## Section II. Frozen French Fries

### Production

Frozen french fry production in Canada is export driven. From the late 1990s to the mid-2000s, North American potato processors built state-of-the-art processing facilities in Canada to take advantage of the comparatively low value of the Canadian dollar versus the U.S. dollar. Canadian potato producers responded with additional potato plantings to meet the demand from the processors. The low value dollar and proximity to U.S. markets enabled Canadian potato processors to dramatically expand exports of frozen french fries to the United States, especially to the foodservice sector. Exports to the United States soared in the ten years ending MY2006/07 registering an annual average growth rate of almost 10 percent (see also CA7055).

There are no official Canadian production data for Canadian frozen french fries. Statistics Canada maintains that there are too few manufacturers and that published data may disclose proprietary information. As a result, all production estimates are Post estimates based on potato area, consumption patterns and processed potato export data.

Post estimates that Canadian frozen french fry output during MY 2007/08 fell about 5% from the year earlier level reflecting lower domestic potato production, increased demand for Canadian processing potatoes by U.S. processors, and lower domestic consumption of frozen french fries particularly at foodservice where menu trends include increased offerings of foreign and ethnic foods and a wider choice of side dishes. For MY2008/09, Post forecasts Canadian frozen french fry production to fall another 2% reflecting prospects for weaker demand in the top export market, the United States, given the general economic downturn, prospects for lower processing supplies, and the possibility of Canadian processing potatoes being purchased by U.S. processing facilities citing anticipated lower output from the U.S. fall potato crop.

<b>CANADA: Frozen French Fries; Production, Trade, Consumption</b>			
Marketing Year: July/June			
Quantity: Metric Tons			
	MY2006/07	MY2007/08	MY2008/09
Production	1,370,000	1,300,000	1,275,000
Imports	45,437	42,243	45,000
Total Supply	1,415,437	1,342,243	1,320,000
Exports	1,023,416	984,024	965,000
Dom. Consumption	392,021	358,219	355,000
Source: Post Estimates; World Trade Atlas			



## Trade

### Imports

Relative to the significant quantities of Canadian frozen french fries exported, Canadian imports of frozen french fries are small. In part, this reflects the dominance of the major Canadian manufactures in domestic market distribution. Almost all of the major, national fast food outlets source their frozen french fries through the established distribution channels of the large Canadian processors. Imports during MY2007/08, virtually all from the United States, totaled 42,243 MT valued at \$70 million. On a quantity basis, this was 7% below a year ago (45,437 MT).

### Exports

Total Canadian exports of frozen french fries slipped to 984,024 MT during MY2007/08, almost 4% below 1,023,416 MT a year earlier due mostly to lower exports to the United States and China and collectively to other minor markets (i.e., countries included in the All Other category in the table below). Despite the decline, value was higher reflecting generally higher prices and the strength of the Canadian dollar during the period. The total value of Canadian frozen french fry exports during MY2007/08 exceeded \$835 million making frozen french fries Canada's sixth most important single agricultural export commodity after wheat, \$6.2 billion; fresh or frozen pork, \$1.8 billion; live cattle, \$1.7 billion; breads and pastries, \$1.2 billion; and fresh or frozen beef, \$908 billion (during the same July/June period).

In line with our production forecast, Post forecasts another small year-to-year decline, about 2%, in total Canadian frozen french fry exports reflecting prospects for weaker demand in export markets related to the world economic downturn. Our forecast decline may have been greater if not for the precipitous drop (19% in one month) in the value of the Canadian dollar (see Exchange Rate Section) which, if it continues, is expected to make Canadian frozen french fries very competitive in U.S. and world markets during MY2008/09.

The projected weaker U.S. demand for Canadian frozen french fries contrasts with our forecast of stronger U.S. demand for Canadian fresh potatoes. Canadian frozen french fry exports to the United States fell by 3.3% during MY2007/08 even before the impact of the recent U.S. economic downturn which is expected to result in continued lower demand for french fries by foodservice establishments. At the same time, the projected lower U.S. potato crop and Canadian access to the U.S. market for chef and creamers sizes during MY2008/09 are expected to overshadow the general economic slowdown and pull more fresh potatoes imports from Canada into the United States.

<b>Canada: Frozen French Fry Exports to Top Markets</b>						
Marketing Year : July/June						
HS: 2004.10						
Quantity & Value						
Country	2005/06		2006/07		2007/08	
	Quantity	Value	Quantity	Value	Quantity	Value
	MT	\$US mil.	MT	\$US mil.	MT	\$US mil.
The World	955,846	679.2	1,023,416	775.7	984,024	835.8
United States	742,837	529.5	787,872	604.3	762,302	648.7
Japan	46,093	43.1	42,193	40.0	41,940	35.3
Mexico	32,031	16.2	36,488	18.4	38,206	24.2
Venezuela	18,953	10.9	16,770	10.8	16,585	15.1
Saudi Arabia	6,629	5.8	14,950	12.6	15,528	17.1
Costa Rica	9,960	5.9	12,260	6.5	12,821	9.3
China	16,673	11.2	16,406	12.7	9,813	9.6
Australia	699	0.6	499	0.4	9,735	8.3
Korea, South	8,401	6.2	4,695	3.7	9,416	7.9
All Others	73,569	49.9	91,283	66.3	67,678	60.3
Source: Derived from World Trade Atlas						

## Trade Matrices: Other Frozen Potato Products

<b>CANADA: Imports of Other Frozen Potato Products</b>			
Marketing Year: July/June			
HS Code: 071010			
Quantity: Metric Tons			
	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
The World	604	748	2,312
United States	517	413	1,844
India	0	140	438
Colombia	2	6	13
Egypt	5	6	5
All Others	80	183	11
Source: World Trade Atlas			

<b>CANADA: Exports of Other Frozen Potato Products</b>			
Marketing Year: July/June			
HS Code: 071010			
Quantity: Metric Tons			
	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
The World	2,915	1,836	1,266
United States	399	412	390
Costa Rica	383	521	368
Cuba	1,440	0	334
South Africa	259	56	0
All Others	433	847	174
Source: World Trade Atlas			

### Section III. Policy

#### Federal/Provincial Disaster Program for P.E.I. Potato Growers

Potato growers on Prince Edward Island (P.E.I.) affected by extreme wet weather during the 2008 growing season are being offered up to C\$12.4 million in federal/provincial financial aid to offset losses. Provincial potato specialist fear that storing potatoes with a high incidence of rot caused by this summer's excessively wet conditions could place all the stored potatoes at risk. To reduce the risk to stored potatoes, [AgriRecovery](#) aid will be provided to encourage producers to destroy crops in affected areas of their fields. The AgriRecovery program is part of the suite of Business Risk Management programs offered by the federal, provincial and territorial governments designed to provide producers protection in dealing with the financial risks associated with farming, including weather related disasters. It is cost-shared on a 60-40 basis between the federal and provincial governments. More than 60% of the province's potato growers have crop insurance and these producers will also be eligible for disaster assistance based on a formula that takes into account their chosen level of crop insurance protection and individual historic average yields.

#### U.S./Canada Potato Agreement

In November 2007, the countries signed an [arrangement to facilitate bilateral potato trade](#). The Technical Arrangement Concerning Trade in Potatoes facilitates trade between the United States and Canada by providing U.S. potato producers with predictable access to Canadian Ministerial exemptions to import potatoes. Ministerial exemptions for potatoes are generally granted by the Government of Canada only when there is a proven shortage of potatoes in Canada. The Arrangement, when fully implemented in Year 3, will allow a 60-day forward contract between U.S. growers and Canadian processors to serve as sufficient evidence of a shortage in Canadian potatoes. In addition to addressing U.S. concerns about Canada's procedures for granting Ministerial exemptions for potatoes, the Arrangement will phase in quality inspections for potatoes at destination and will phase out spot-check inspections along the northeastern Canadian border crossing. The United States also initiated rulemaking to allow some Canadian specialty potatoes that did not meet current US quality standards for size to enter the U.S. market (see page 7). This Arrangement protects the right of each Party to establish requirements and to conduct inspections at the border for health and safety reasons and does not affect the rights or obligations of either country under North American Free Trade Agreement (NAFTA) and World Trade Organization (WTO).

## Tariffs

Canadian Tariff Rates on Fresh Table Potatoes		
<b>HS 0701.190.00</b>	Trade Agreement & Preferential Tariffs	MFN Rate
		4.94%
United States	FREE	
Commonwealth Caribbean Countries	FREE	
Least Developed Countries	FREE	
Mexico	FREE	
Chile	FREE	
Costa Rica	FREE	
Source: Canada Customs Tariff Schedule, January 1, 2008		

Canadian Tariff Rates on Frozen French Fries		
<b>HS 2004.10.00</b>	Trade Agreement & Preferential Tariffs	MFN Rate
		6%
United States	FREE	
Commonwealth Caribbean Countries	FREE	
Least Developed Countries	FREE	
Mexico	FREE	
Chile	FREE	
Costa Rica	FREE	
Source: Canada Customs Tariff Schedule, January 1, 2008		

## Section IV. Marketing

### Mandatory Nutrition Labeling

Nutrition labeling for prepackaged food products is mandatory in Canada and imported products must meet the same labeling requirements as foods produced in Canada. Use of the U.S. nutrition panel on labeling is prohibited and only the Canadian nutrition panel is deemed acceptable for prepackaged products sold in Canada. There are differences in the U.S. and Canadian nutrition facts tables for daily intakes and in the definitions of zero "trans fats".

The Canadian Food Inspection Agency has a webpage dedicated to Canada's new labeling regulations: <http://www.inspection.gc.ca/english/fssa/labeti/nutrition-pagee.shtml>

The webpage listed above provides a link to a Nutrition Labeling Toolkit to assist U.S. companies interested in bringing their processed potato product label into compliance with Canada's new nutrition labeling regulations.

### Packaging and Labeling

For retail sale, Canada's Processed Product Regulations stipulate that the standard container sizes for frozen french fries are: 250 g; 500 g; 1 kg; 1.25 kg; 1.5 kg; and 2 kg. On December 3, 1998 the regulations were revised to include "any size over 2 kg but not over 20 kg." For U.S. exporters, this relaxation in the rule resulted in the ability to 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.).

### Exporter Guide

U.S. processed food exporters interested in the Canadian market can consult the Exporter Guide prepared by FAS/Ottawa. The Exporter Guide for Canada is available on the FAS website under Attaché reports at [www.fas.usda.gov](http://www.fas.usda.gov). The Exporter Guide provides general information concerning Canadian regulatory requirements and details the FAS-sponsored services available to U.S. exporters interested in entering the Canadian food market.

## Exchange Rate

Throughout 2007, the Canadian dollar strengthened against the U.S. dollar and for the seven months between October 2007 and May 2008, was at or above the value of the U.S. dollar. As a result of the global financial crisis and a sharp decline in energy prices, the resource-linked Canadian dollar experienced one of its sharpest declines on record when it fell by almost 19% during the month of October 2008.

<b>EXCHANGE RATE \$</b>		
Monthly Closing Rates		
	US = Cdn	Cdn = US
Jan 2007	1.1759	0.8504
Feb 2007	1.1707	0.8542
Mar 2007	1.1682	0.8560
Apr 2007	1.1343	0.8816
May 2007	1.0949	0.9133
Jun 2007	1.0652	0.9388
Jul 2007	1.0503	0.9521
Aug 2007	1.0582	0.9450
Sep 2007	1.0254	0.9753
Oct 2007	0.9752	1.0254
Nov 2007	0.9671	1.0340
Dec 2007	1.0031	0.9969
Jan 2008	1.0111	0.9890
Feb 2008	0.9991	1.0009
Mar 2008	1.0020	0.9980
Apr 2008	1.0139	0.9863
May 2008	0.9994	1.0006
Jun 2008	1.0167	0.9835
Jul 2008	1.0127	0.9875
Aug 2008	1.0544	0.9484
Sep 2008	1.0583	0.9449
Oct 2008e	1.2930	0.7734
e=estimate		
Source: Bank of Canada		

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto <http://www.usembassycanada.gov>; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: [agottawa@usda.gov](mailto:agottawa@usda.gov)