

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

Date: 4/7/2017

GAIN Report Number: CA17014

Canada

Post: Ottawa

Canada Top Market for U.S. High-Value Agricultural Exports

Report Categories:

Agriculture in the Economy

Approved By:

Jeff Zimmerman

Prepared By:

Mihai Lupescu

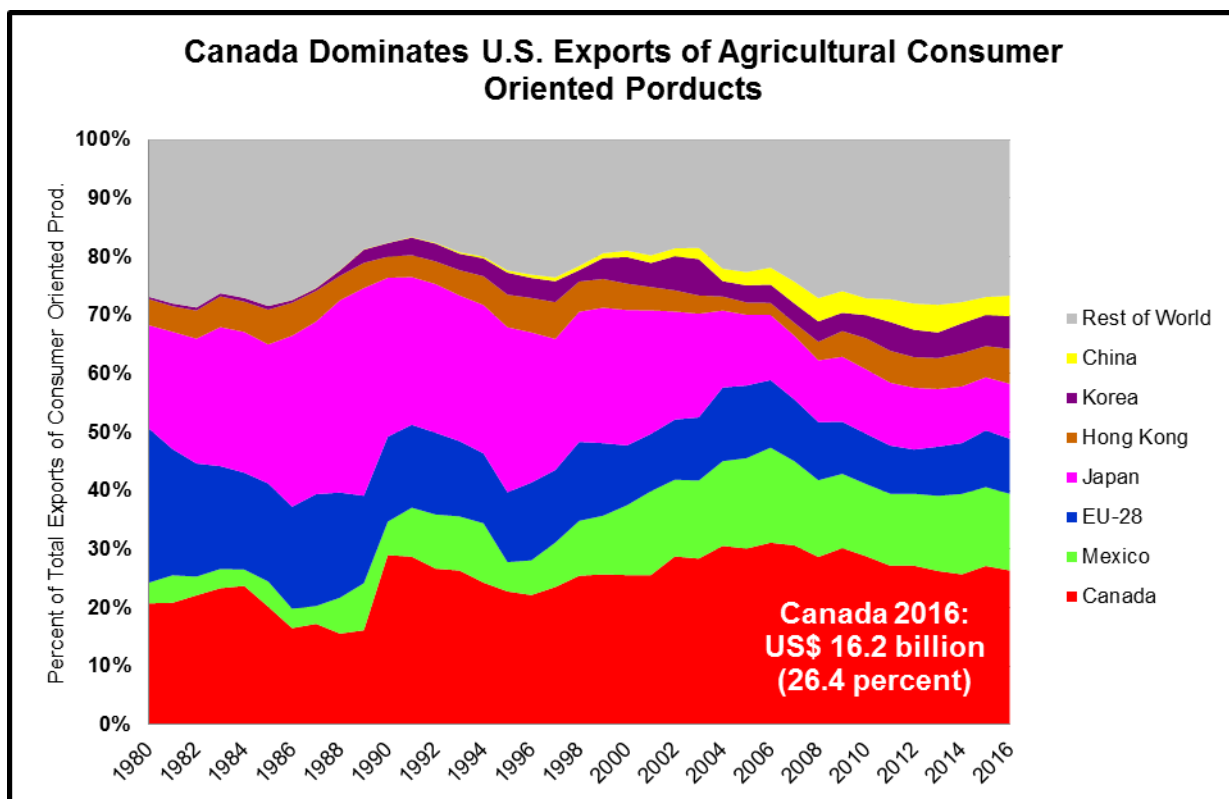
Report Highlights:

In 2016, Canada remained the top destination for U.S. exports of high-value agricultural products, with a total of \$16.2 billion. Canada accounted for 26.4 percent of the global U.S. consumer-oriented agricultural exports. Some of the top export categories include: fresh and processed fruits and vegetables, meats, prepared food, snack food, wine and beer, and pet food. Overall, at \$20.2 billion, Canada was the second largest export market for U.S. agricultural products.

With a 26.4 percent market share in 2016, and a value of \$16.2 billion, Canada continues to remain by far the top destination for U.S. exports of high-value agricultural products. In fact, U.S. exports to Canada in this high-value category represent double the amount exported to the second leading market, Mexico, and are equal to the combined Asian markets of Japan, Hong Kong, South Korea, China and Taiwan.

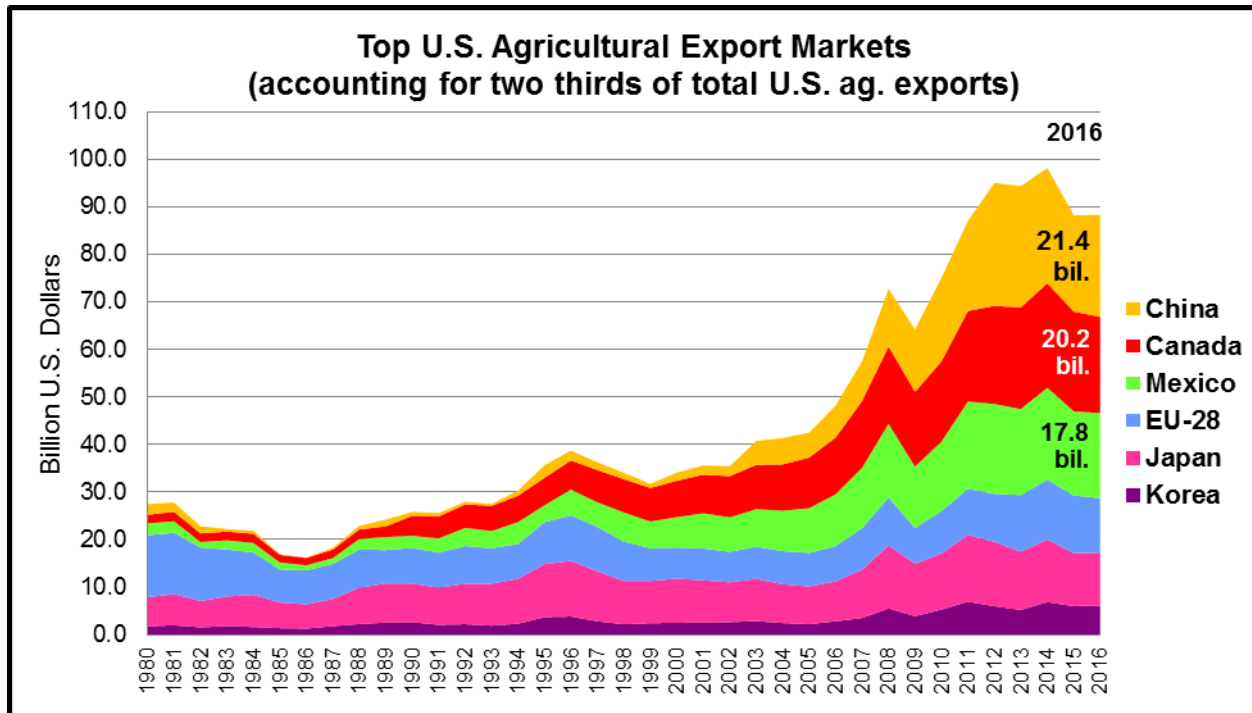
These consumer-oriented agricultural products are foods typically sold directly in grocery stores or used in restaurants. These high value exports support tens of thousands of jobs in the United States, and many of the suppliers are small and medium sized businesses.

In 2016, in the high-value category, Canada was followed in the second place by Mexico, at \$8 billion, and in third place by EU-28 at \$5.8 billion. Overall, U.S. exports of consumer-oriented products in 2016 totaled \$61.3 billion representing 45 percent of the total U.S. agricultural exports valued at \$134.9 billion.



Source: U.S. Census Bureau Trade Data

The graph above shows how, since 1980, the relative importance of Europe and Japan as markets for U.S. consumer-oriented products has fallen and how Canada and Mexico have overtaken them. The main reason for strong increases in trade with Canada was the passage of the Canada – United States Free Trade Agreement in 1988, followed a few years later by the North American Free Trade Agreement (NAFTA). These trade agreements eliminated almost all tariffs and trade restrictions on U.S. exports to Canada for nearly three decades.



Source

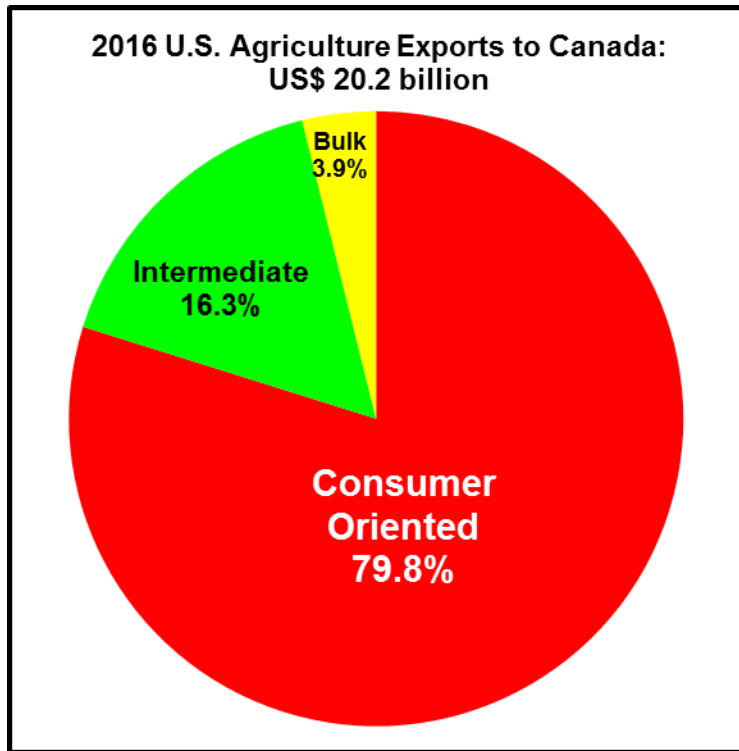
e: U.S. Census Bureau Trade Data

In 2016, the weaker Canadian dollar took a toll on total U.S. exports of agricultural products to Canada which saw a 3.6 percent decline to \$20.2 billion. Canada followed China, the leading export market buying \$21.4 billion worth of U.S. agricultural exports. In third place came Mexico, with \$17.8 billion in total U.S. exports. In 2016, the United States imported \$21.6 billion worth of agricultural products from Canada.

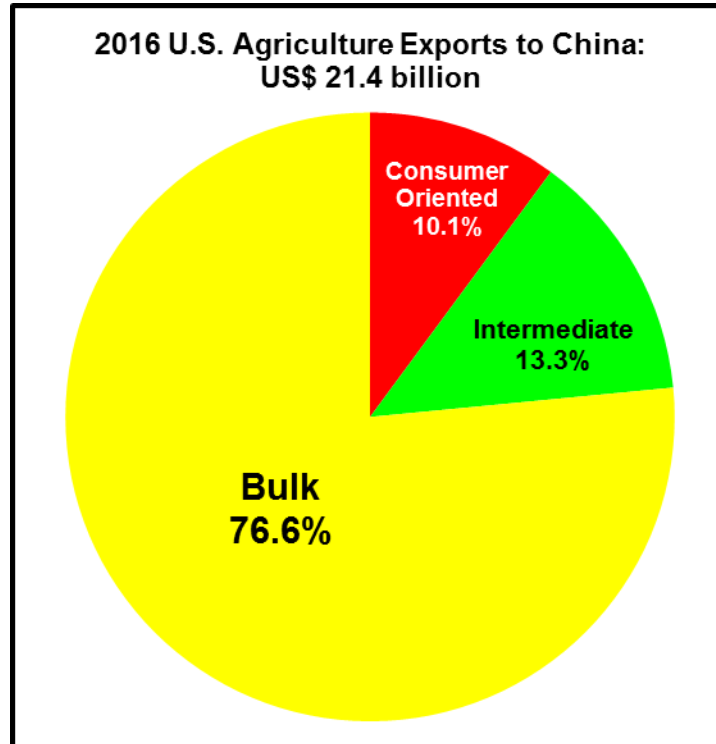
Although, in 2016, China was the number one destination for U.S. agricultural exports, the export composition to the Canadian and Chinese markets cannot be more different. While Canada is predominantly a high value market, U.S. exports to China are dominated by bulk commodities.

Consumer-oriented agricultural goods account for nearly 80 percent of U.S. exports to Canada, followed by intermediate goods at 16 percent (including items like sugar and sweeteners, vegetable oils, animal feed, planting seeds, soybean meal, etc.), and by bulk commodities at 4 percent (primarily grains and oilseeds).

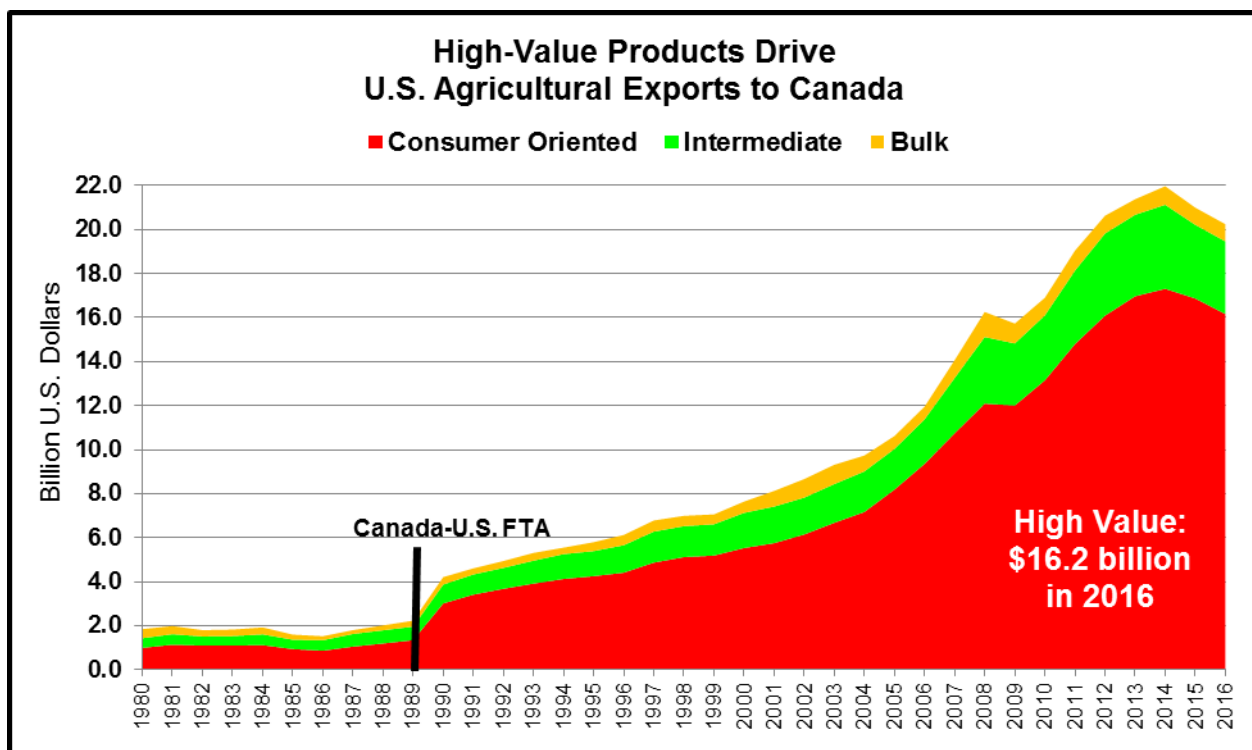
By contrast, China is a bulk commodity market for U.S. agricultural exports. The vast majority, 77 percent, of U.S. exports to China consists of bulk commodities (mostly soybeans, followed by grains and other commodities). Only 13 percent of exports are intermediate goods (with hides and skins and distillers grains the top exports in this category) and only 10 percent are high-value agricultural products.



Source: U.S. Census Bureau Trade Data



Source: U.S. Census Bureau Trade Data



Source

e: U.S. Census Bureau Trade Data

In the consumer-oriented category, U.S. agricultural exports to Canada are dominated by fruits and vegetables, either fresh or processed. In 2016, exports of these products together summed up to \$4.9 billion, broken down as follows:

- Fresh vegetables: \$1.8 billion, with lettuce, turnip, onions, cauliflower and tomatoes occupying the top positions
- Fresh fruits: also \$1.6 billion, with strawberries and other berries, grapes, apples, oranges and cherries in the top spots
- Processed vegetables: \$590 million, with frozen potatoes, frozen vegetables mixes, pickled cucumbers, canned tomatoes and beans and tomato paste taking up the top places
- Processed fruits: \$463 million, with fruit mixes and dried fruits, including raisins and cranberries, in the top spots
- Fruit and vegetables juices: \$435 million, dominated by orange juice, mixed fruit juices, grape juice and mixed vegetable juices

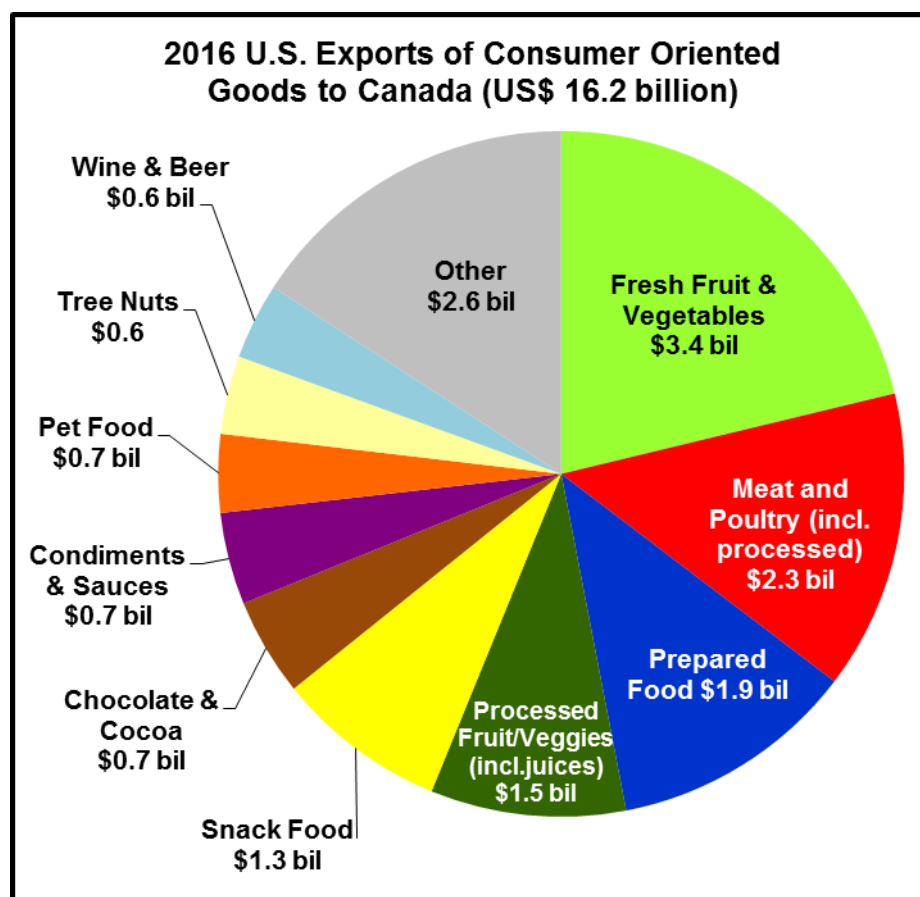
In spite of the overall decline in the consumer-oriented category (4.2 percent decline in 2016), few product groups have actually shown growth in 2016.

- Chocolate and cocoa products: \$745 million (2.6 percent increase in 2016)
- Condiments and sauces: \$702 million (0.6 percent growth in 2016)

Other important U.S. exports to Canada in the consumer-oriented category include:

- Pork and pork products: \$799 million
- Beef and beef products: \$758 million
- Pet food: \$597 million
- Tree nuts: \$596 million, with almonds, walnuts, pecan nuts and pistachios in the top
- Wine and beer: \$583 million
- Breakfast cereals: \$455 million

Finally, prepared food totaled \$1.9 billion in U.S. exports to Canada in 2015.



Source: U.S. Census Bureau Trade Data