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Canada

Expansion of Manitoba Mushroom Facility Targets

U.S. Markets

1999

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Report Highlights:

The provincial government of Manitoba is providing a C\$1.5 million repayable loan for the construction of a new mushroom facility in the province. The company plans to market its additional production of fresh mushrooms in the United States. Completion of the first phase is scheduled for the fall of 1999.

The provincial government of Manitoba recently announced loan assistance of C\$1.5 million to K&G Foods of Portage la Prairie, Manitoba to expand production and exports of fresh mushrooms to the United States. Canada's mushroom industry has grown significantly in recent years and in 1998, Canada became a net exporter of fresh mushrooms for the first time. More than 95 percent of Canadian fresh mushroom exports are destined for the United States.

According to a press release issued recently by the Manitoba Department of Industry, Trade and Tourism, K&G Foods Inc. is upgrading its Portage la Prairie mushroom operation to increase production and help expand its markets. With loan assistance from the provincial government, the company will reportedly create 40 new jobs over the next two years.

K&G Foods will use new Dutch technology to make quality compost to significantly increase mushroom yields and the number of crops produced each year. The company plans to export the additional product to markets in Minnesota and North Dakota and other U.S. states.

The company will construct a two-building compost operation that will use the new technology to significantly increase the quality and consistency of its compost output. It will include infrastructure which significantly reduces the odor and environmental impact of mushroom production.

The province is providing assistance for the new \$C5.36 million facility in the form of a \$C1.5 million repayable loan under the Manitoba Industrial Opportunities Program (MIOP). According to Manitoba government officials, the borrowing rate is prime (6.25%) plus 4% where the 4% is forgiven if the company meets the new job targets.

According to the Manitoba government, the new composting operation is being located on environmentally suitable land just west of Portage la Prairie, in an industrial park complex. The first phase of the new facility is scheduled for completion in September 1999. The second phase will be completed in September 2001.

K&G Foods has mushroom production facilities in Portage la Prairie and Oakville, Manitoba; Denver, Colorado; Vale, Oregon; and Park River, North Dakota. The Portage la Prairie plant currently markets its production in Manitoba, Saskatchewan and Northwestern Ontario.

Background: Canadian Mushroom Production and Trade Summary

Canadian fresh mushroom production during 1997 reached 68,019 metric tons, a 4.2 % increase over the previous year and one-third greater than 10 years ago. According to Statistics Canada, the regional shares of mushroom production in 1997 were Ontario, 53%, British Columbia, 30%, the Prairie Provinces, 13%, and Quebec and the Maritime provinces, 4%.

As shown below, exports to the United States account for nearly all Canadian fresh mushroom exports. In 1998, the province of British Columbia accounted for 78% of total Canadian fresh mushroom exports to the United States. Ontario was the second most important exporter with 19 %. Manitoba only accounted for 2% , but that province's exports to the United States are forecast to increase when the expanded K&G Foods facility becomes operational. During 1998, the value of total Canadian fresh mushroom exports to the United States reached

C\$27.6 million (US\$18.6 million).

Canadian Exports of Fresh Mushrooms

Canadian Fresh Mushroom Exports						
1994-1998 Calendar Years						
Units: Metric Tons						
HS=0709.51						
	1994	1995	1996	1997	1998	
United States	1,523	2,068	3,824	5,304	8,244	
Japan	370	323	404	494	302	
France	58	26	88	137	89	
Germany	23	32	5	21	12	
Switzerland	83	27	35	37	11	
Netherlands	7	7	14	5	7	
Sweden	8	1	15	8	0	
Others	11	2	3	41	11	
Total	2,082	2,486	4,388	6,048	8,675	
14-May-99						
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Canadian Imports of Fresh Mushrooms

Canadian imports of fresh mushrooms, mostly from the United States, declined 20% from the year earlier level to 4,361 metric tons, valued at \$C10.6 million (\$US7.2 million). The province of Ontario accounted for 70% of total U.S. sales of fresh mushrooms to Canada. Increasing Canadian production, imports of cheap Chinese mushrooms (mostly for processing), and a weak Canadian dollar are factors which appear to have dampened Canadian demand for U.S. fresh mushrooms.

Canadian Fresh Mushroom Imports					
1994-1998 Calendar Years					
Units: Metric Tons					
HS=0709.51					
	1994	1995	1996	1997	1998
United States	3,622	3,549	3,153	5,437	4,361
China, P. Rep.		743	998	105	956
Poland	8	1	1	36	55
Indonesia					12
France	1	0		7	11
Switzerland		2	3	6	2
Italy	12	12	7	7	2
Japan	6	5		1	1
Others	25	79	27	27	19
Total	3,675	4,391	4,190	5,626	5,419
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