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Canada

Frozen French Fries

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Report Highlights: Double digit growth in the Canadian production of frozen french fries recorded during the late 1990s appears to have subsided reflecting a slower pace in new processing plant construction. The tempo of Canadian frozen french fry export increases fell sharply during MY2000/01 to 2.5% compared to the 20% year over year increase registered twelve months earlier.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Unscheduled Report

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Executive Summary

* The double digit growth in the Canadian production of frozen french fries recorded during the late 1990s appears to have subsided. The pace of processing plant construction has slowed.

* The tempo of Canadian frozen french fry export increases fell sharply during MY2000/01 to 2.5% compared to the 20% year over year increase registered twelve months earlier.

* For Canadian french fry processors, export levels for the current crop year may be adversely affected by the economic downturn in the United States, resulting in slow growth in frozen french fry exports to the number one market.

* According to the Canadian Restaurant and Foodservice Association (CRFA), french fries were the most popular menu item in 2000, served on 24% of restaurant meal occasions in Canada.

Section I. Production and Production Developments

Canadian output of frozen french fries continued to expand during MY2000/01, but at a reduced pace from double digit growth during the late 1990s. Further expansion is anticipated after the start up in 2002 of the new Simplot plant near Portage La Prairie, Manitoba, announced late last year (see CA0201). Together with the Lamb-Weston plant near Taber, Alberta and the multi-plant operations of Canadian-based McCain Foods and Cavendish Foods, Canada is an important frozen french fry producer.

Supply and Distribution

PSD Table						
Country	Canada					
Commodity	Frozen French Fries				(MT)(MT, Net Weight)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	25000	0	25000	0	25000
Production	0	1050000	0	1070000	0	1090000
Imports	0	17120	0	15000	0	15000
TOTAL SUPPLY	0	1092120	0	1110000	0	1130000
Exports	0	634297	0	650000	0	670000
Domestic Consumption	0	432823	0	435000	0	435000
Ending Stocks	0	25000	0	25000	0	25000
TOTAL DISTRIBUTION	0	1092120	0	1110000	0	1130000

New J.R. Simplot Plant

The J.R. Simplot Company of Boise, Idaho has announced it will construct a new potato processing plant near Portage La Prairie, Manitoba. Construction is scheduled to begin in early summer 2001, with start-up approximately one year later. The plant's initial capacity will be about 300 million pounds of french fries and other frozen potato products. Annual requirements for raw potatoes will be 5.5 million hundred weight (cwt), or approximately 20,000 acres of potatoes. When the facility reaches full production, Manitoba will challenge Prince Edward Island as the leading potato producing province in Canada.

The 2001 Potato Crop

Statistics Canada reported planted area to potatoes in 2001 at 409,300 acres, up less than 1% from planted area a year earlier. Early indications are that potato production may not reach last year's level of 4.6 million metric tons. Some major potato regions of Canada experienced prolonged periods of dry weather during the 2001 growing season. Preliminary estimates from Prince Edward Island, Canada's leading potato producing province, indicated that production during 2001 would be 20-25% lower than the 2000 crop. The first official production estimate of the 2001 crop will be released in late November by Statistics Canada.

Section II. Trade

Frozen French Fry Exports by Marketing Year

The annual pace of increase for Canadian frozen french fry exports fell sharply during MY2000/01 to 2.5% compared to the 20% year over year increase registered twelve months earlier. The change reflects, in part, slower growth in overall frozen french fry production in Canada. The period of the late 1990s was a particularly active one for new investment in Canadian plants to process frozen french fries. Two plants by McCain and one by Lamb Weston in western Canada became operational during that period (see CA8075 and CA9136).

Canadian Frozen French Fry Exports				
Marketing Year: July/June				
Units: metric tons				
HS 2004.10*				% change
				00/01
	1998/99	1999/00	2000/01	99/00
The World	516,556	618,899	634,297	2.5%
United States	423,988	525,291	551,455	5.0%
Japan	26,542	35,038	37,279	6.4%
Venezuela	5,211	5,553	6,009	8.2%
Philippines	4,072	6,201	5,946	-4.1%
Taiwan	2,961	3,593	4,381	21.9%
Korea, South	2,244	3,343	3,538	5.8%
Malaysia	3,187	3,452	2,666	-22.7%
Singapore	2,707	2,641	2,405	-8.9%
Trinidad & Tobago	1,995	1,989	1,860	-6.5%
Mexico	821	1,952	1,799	-7.8%
Indonesia	294	973	1,629	67.3%
Jamaica	2,475	2,307	1,503	-34.9%
Saudi Arabia	3,239	3,159	1,431	-54.7%
Guatemala	4,298	3,435	1,312	-61.8%
Bahamas	722	805	1,142	41.8%
Barbados	855	927	1,060	14.3%
All Others	30,947	18,240	8,882	-51.3%
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

Value of Marketing Year Exports

The value of total Canadian exports of frozen french fries in MY2000/01 reached \$427.1 million. The value of frozen french fry exports to the United States during the same period reached \$369.6 million. Trade in the table below is expressed in U.S. dollars. Due to the weakness in the Canadian dollar over the period, the same table expressed in Canadian currency would show an increase in the value of exports to the world.

Value of Canadian Frozen French Fry Exports				
Marketing Year: July/June				
Units: US\$ millions				
HS 2004.10*				% change
				00/01
	1998/99	1999/00	2000/01	99/00
-- The World --	331.2	429.2	427.1	-0.5%
United States	266.0	362.7	369.6	1.9%
Japan	18.1	23.9	26.8	12.2%
Philippines	3.4	4.8	4.5	-6.0%
Venezuela	3.5	3.9	4.0	3.8%
Taiwan	1.7	2.3	3.0	28.3%
Korea, South	1.7	2.4	2.7	11.8%
Malaysia	2.0	1.9	1.6	-18.2%
Singapore	1.6	1.6	1.3	-16.1%
Trinidad & Tobago	1.5	1.5	1.3	-17.9%
Jamaica	2.1	1.9	1.2	-37.7%
Mexico	0.4	1.0	1.0	-5.1%
Guatemala	3.5	2.7	0.9	-66.1%
All others	25.7	18.4	9.2	-50.0%
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

Exports by Calendar Year

To accommodate requests from the trade, Canadian frozen french fry exports are tabulated below on a calendar year basis. In the first eight months of 2001, total Canadian frozen french fry exports registered a 6% increase over the same period a year ago. Significant increases in exports during 2001, through the month of August, were noted for the Philippines, Venezuela, and Taiwan, but the actual quantities remain relatively compared to exports to the United States which accounted for more than 86% of total exports during the eight month period. The pace of frozen french fry exports to the United States in the first eight months of 2001 is below the rate of increase during 2000 when exports advanced by more than 15% to 542,696 metric tons. For Canadian french fry processors, export levels for the remainder of 2001 and into early 2002 may be adversely affected by the economic downturn in the United States resulting in a much slower growth in exports to the number one market.

Canadian Frozen French Fry Exports by Calendar Year						
With January to August Comparison for 2000 & 2001						
Units: metric tons						
HS 2004.10*						% change
				Jan-Aug	Jan-Aug	00/01
	1998	1999	2000	2000	2001	99/00
-- The World --	483,957	575,334	624,482	412,912	437,711	6.0%
United States	409,945	470,453	542,696	356,801	380,099	6.5%
Japan	22,471	32,040	36,388	24,441	24,701	1.1%
Philippines	533	7,754	5,486	3,152	3,471	10.1%
Venezuela	5,897	5,150	5,407	3,511	4,398	25.3%
Korea, South	2,422	2,428	3,701	2,355	2,271	-3.6%
Taiwan	2,229	3,379	3,523	2,557	3,898	52.4%
Malaysia	2,522	3,386	2,775	2,021	1,800	-10.9%
Singapore	2,436	2,599	2,428	1,679	1,632	-2.8%
Mexico	737	1,143	1,999	1,461	1,485	1.7%
Trinidad & Tob.	2,113	2,078	1,834	1,170	1,321	12.9%
Saudi Arabia	2,037	4,389	1,573	1,224	1,259	2.8%
Guatemala	3,593	4,653	1,532	1,138	999	-12.2%
Jamaica	2,129	2,876	1,390	978	1,246	27.4%
All Others	24,893	33,005	13,751	10,423	9,131	-12.4%
*HS category may contain other frozen potato products						
Source: World Trade Atlas						

Imports of Frozen French Fries by Marketing Year

Total Canadian imports of frozen french fries rebounded from recent lows during MY1999/00 to 17,120 metric tons during MY 2000/01. The United States was virtually the sole supplier. Given Canada's modern and expanding frozen french fry processing industry, which is a "produce-for-export" oriented industry, the demand for imported frozen french fries is relatively weak. In addition, continued weakness in the Canadian dollar, which has fallen more than 13% against the US dollar over the last four years, is a disincentive to importers.

Canada: Frozen French Fry Imports				
Marketing Year: July/June				
Units: metric tons				% change
HS 2004.10*				00/01
	1998/99	1999/00	2000/01	99/00
The World	23,999	13,673	17,120	25.2%
United States	23,635	13,545	16,996	25.5%
Netherlands	0	6	63	872.3%
Belgium	111	47	38	-17.7%
All Others	253	75	23	-69.8%
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

Value of Marketing Year Imports

Canada: Value of Frozen French Fry Imports				
Marketing Year: July/June				
Units: \$US millions				
HS 2004.10*				% change
				00/01
	1998/99	1999/00	2000/01	99/00
United States	19.4	11.3	14.2	25.9%
Belgium	19.1	11.2	14.1	26.5%
Netherlands	0.1	0.1	0.0	-37.4%
All Others	0.2	0.1	0.1	-14.3%
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

Section III. Policy

Compensation from Chile Increases Market Potential for French Fries

International Trade Minister Pierre Pettigrew attended a meeting of the Canada-Chile Free Trade Agreement (CCFTA) Commission May 10, 2001 in Santiago where he praised the agreement for helping to create prosperity for the two countries. Canada and Chile agreed on appropriate compensation for a safeguard measure that has been imposed on Canadian wheat. The compensation will take the form of accelerated tariff elimination on imports of Canadian frozen french fried potatoes, dried beans and peas, and pet food. Tariffs on these products will be eliminated almost immediately. The CCFTA became effective on July 7, 1997. Canada is the only industrialized country with which Chile currently has such a treaty. For more information, see CA1072. Currently, Canadian exports of frozen french fries to Chile are minor.

Section IV. Marketing

According to the Canadian Restaurant and Foodservice Association (CRFA), french fries were the most popular menu item in 2000, served on 24% of restaurant meal occasions. In other words, french fries were included with one in every four meals served at Canadian restaurants during that year. Rounding out the CRFA's top ten menu items (% share of occasions served in parenthesis) were hamburgers (12%), unsweetened baked goods (11%), chicken (11%), salads (11%), pizza (10%), sandwiches (9%), sweetened baked goods (7%), desserts (6%), and Chinese/Oriental/Stir Fry (5%). Source: CRFA 2001 Foodservice Facts.

Packaging & 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, 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.).

For further information, exporters are advised to contact the Canadian Food Inspection Agency (CFIA), Processed Products Division, Nepean, Ontario, telephone (613) 225-2342 or the CFIA packaging and labeling website at:
<http://www.cfia-acia.agr.ca/english/ppc/consumer/labelling.html>

Major Importers

Industry Canada lists the following (in alphabetical order) as the top 3 registered importers (accounting for 80% of total) of frozen french fries to Canada during 1999: Brittany Acres, Port Hope, Ontario; Lamb Weston Inc., Tri Cities, Washington, and; The Maintenance Store, Florenceville, New Brunswick.

Exchange Rates

Prices and values in this report are expressed in Canadian dollars. Exchange rates are: 1998, C\$=.6743; 1999, C\$=US\$.6730; 2000, C\$=US\$.6730; early November 2001, approximately US\$.6300.

Recent Related Reports

Report Number	Title of Report	Date
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