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

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Agriculture in the Economy

Approved By:

Kathryn Ting

Prepared By:

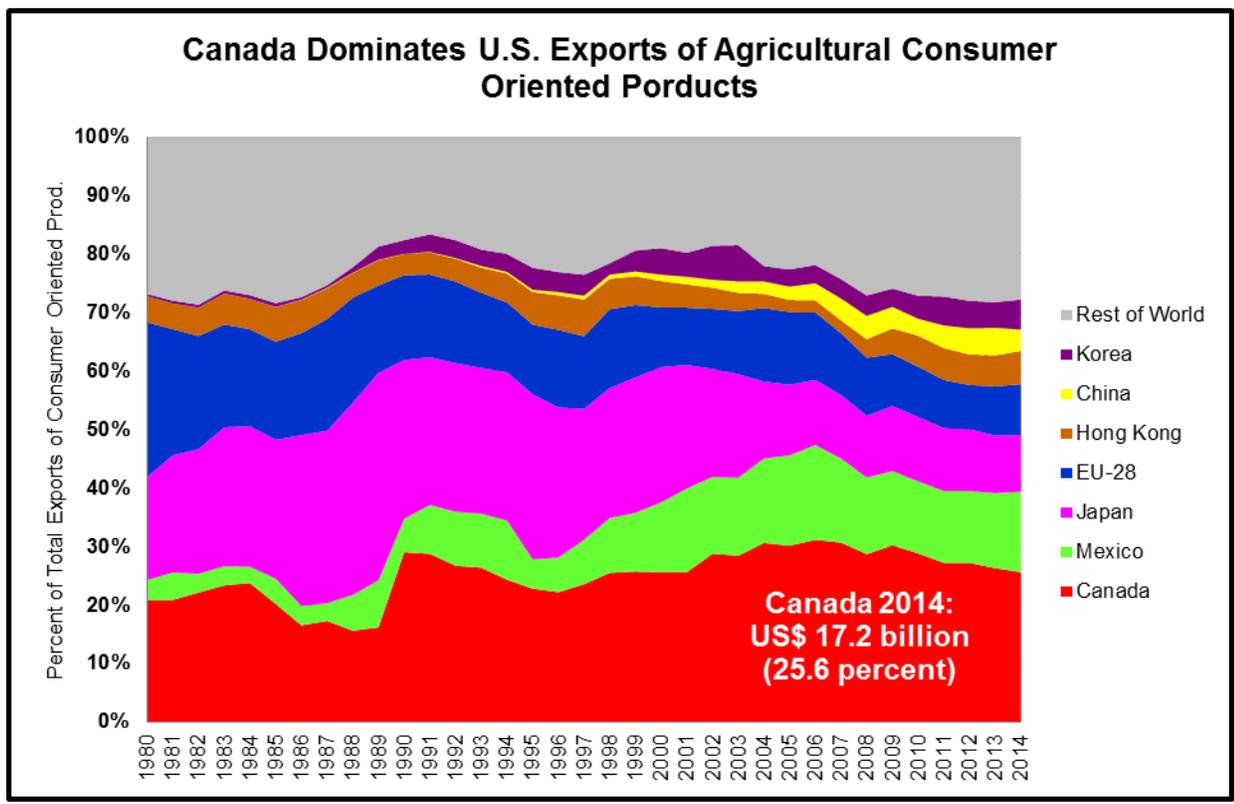
Mihai Lupescu

Report Highlights:

In 2014, Canada remained the top destination for U.S. exports of high-value agricultural products, with a total of \$17.2 billion. Canada accounted for 25.6 percent of total U.S. consumer-oriented agricultural exports. Some of the top export categories include: fresh and processed fruits and vegetables, meat, prepared food, snack food, wine and beer, and pet food. Overall, at \$ 21.9 billion, Canada is the second largest export market for U.S. agricultural products.

With a 25.6 percent market share in 2014, and a value of \$17.2 billion, Canada remains by far the top destination for U.S. exports of high-value agricultural products. These consumer-oriented agricultural products are foods typically sold directly in supermarkets 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.

Canada is followed in second place by Mexico, at \$9.3 billion, and in third place by Japan at \$6.5 billion. Overall, U.S. exports of consumer-oriented products in 2014 totaled \$67.4 billion representing 45 percent of total U.S. agricultural exports.

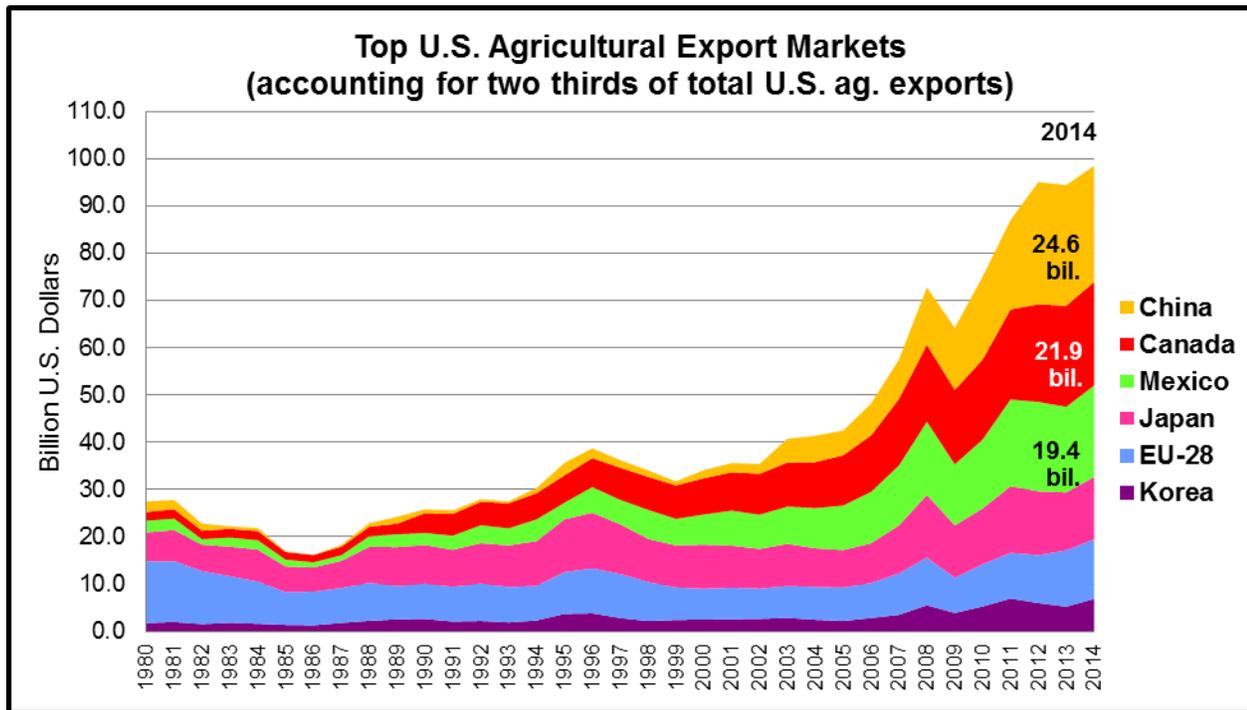


Source: U.S. Census Bureau Trade Data

Overall, Canada is the second largest export destination for U.S. agricultural products, totaling \$21.9 billion in 2014. Canada follows China, the leading export market since 2010, buying \$24.6 billion worth of U.S. agricultural exports. In third place comes Mexico, with \$19.4 billion in total U.S. exports. In 2014, the United States imported \$23.1 billion worth of agricultural products from Canada.

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 China, 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 more than two decades.



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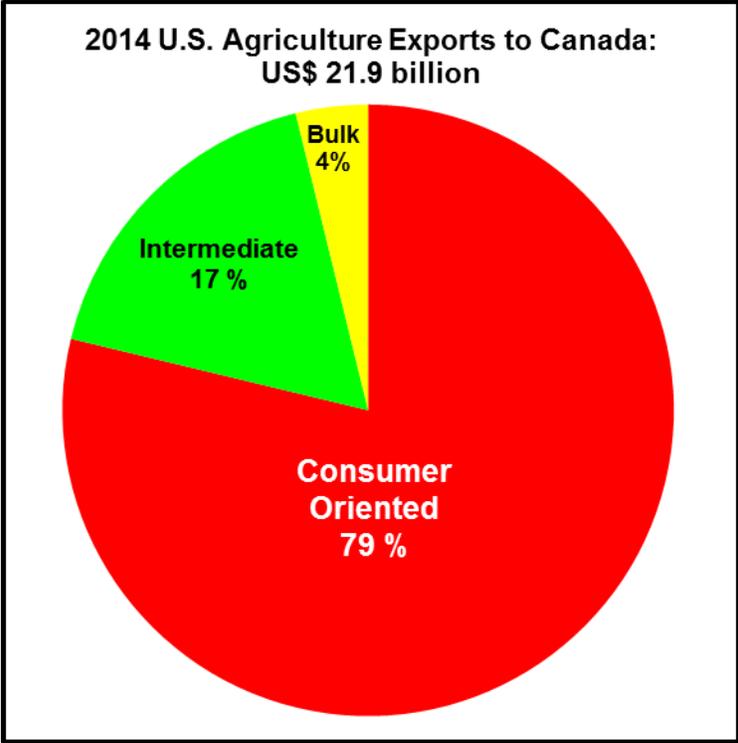
U.S. Census Bureau Trade Data

Overall U.S. exports of agricultural products grew by 4.2 percent from 2013 to 2014, totaling \$150.5 billion. During the same time period, U.S. agricultural exports to Canada grew by 2.4 percent, while U.S. exports to China declined by 3.7 percent. This fact demonstrates the importance of the Canadian market for American exports, a mature market that continues to deliver substantial increases in trade.

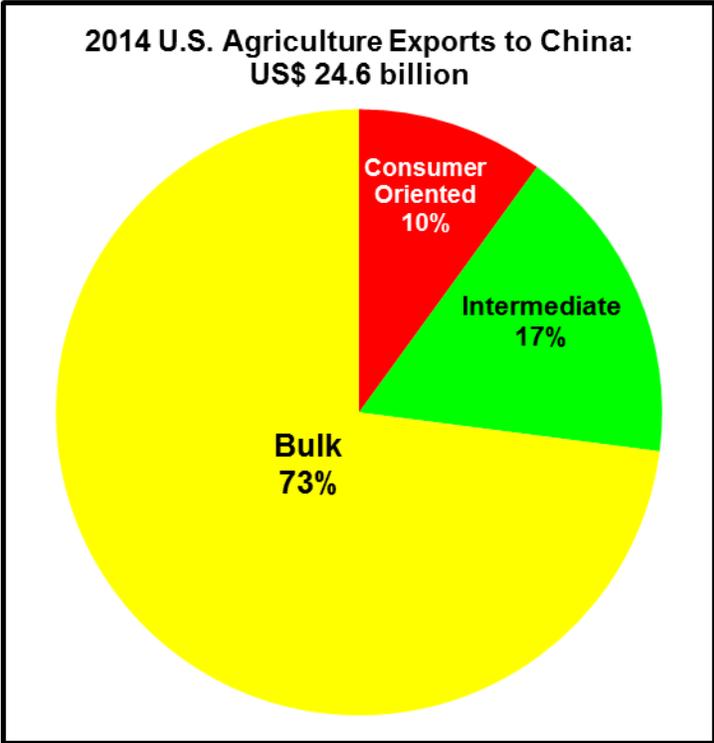
In 2010, China overtook Canada as the number one destination for U.S. agricultural exports. However, the export composition to these two markets cannot be more different. While Canada is predominantly a high value market, U.S. exports to China are dominated by exports of bulk commodities.

Consumer-oriented agricultural goods account for nearly 80 percent of U.S. exports to Canada, followed by intermediate goods at 17 percent (including items like vegetable oils, animal fats, sugar and sweeteners, animal feed, planting seeds, etc.), and by bulk commodities at under 4 percent (primarily grains and oilseeds).

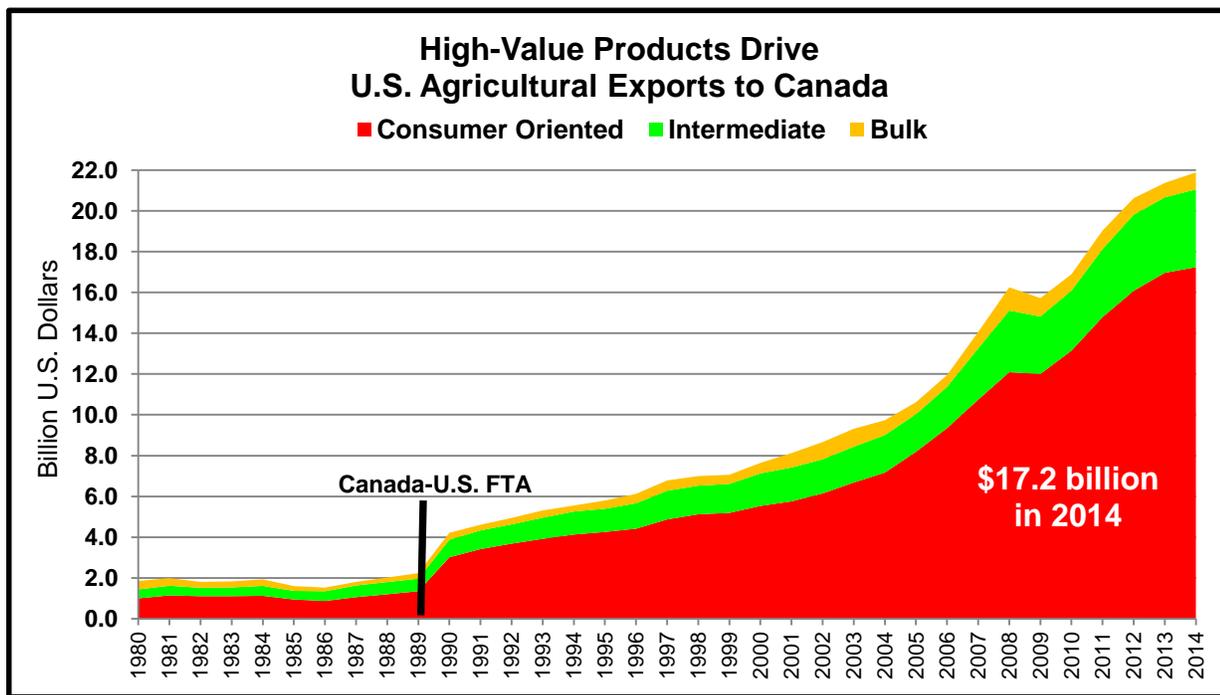
By contrast, China is a bulk commodity market for U.S. agricultural exports. The vast majority, 73 percent, of U.S. exports to China consists of grains and oilseeds, particularly soybeans. Only 17 percent of exports are intermediate goods (with hides and skins the top export in this category) and 10 percent are high-value agricultural products.



Source: U.S. Census Bureau Trade Data



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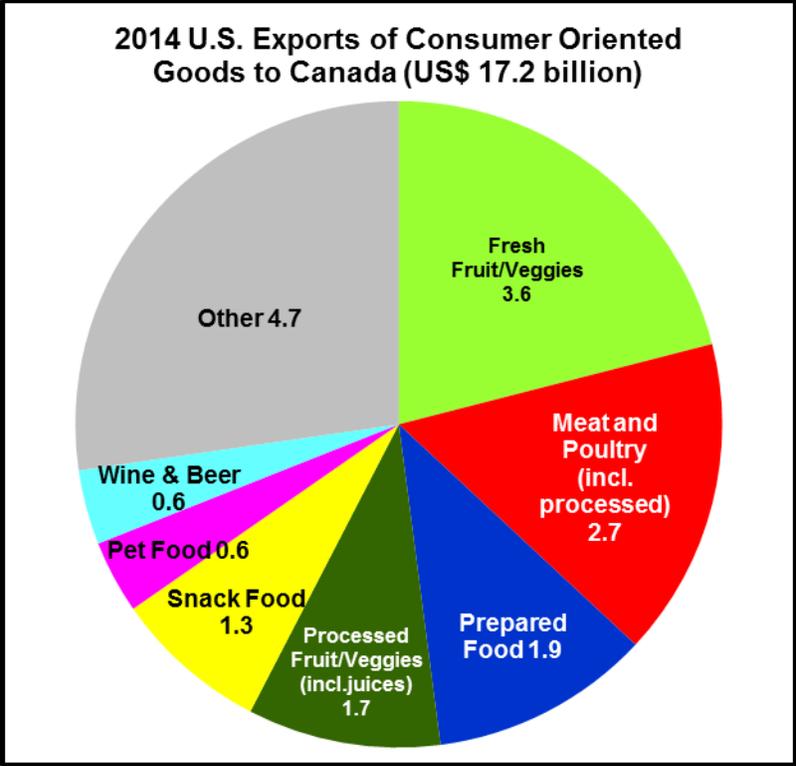
In the consumer-oriented category, U.S. agricultural exports to Canada are dominated by fruits and vegetables, either fresh or processed. In 2014, exports of these products together summed up to \$5.3 billion, broken down as follows:

- Fresh vegetables: \$1.8 billion, with lettuce, onions, potatoes, tomatoes and cauliflower occupying the top positions
- Fresh fruits: also \$1.8 billion, with strawberries and other berries, grapes, apples, oranges and cherries in the top spots
- Processed vegetables: \$622 million, with frozen potatoes, mixes of frozen vegetables, pickled cucumbers, canned tomatoes and beans and tomato paste taking up the top places
- Fruit and vegetables juices: \$545 million, dominated by orange juice, mixed fruit juices, grape juice and mixed vegetable juices
- Processed fruits: \$497 million, with fruit mixes and dried fruits, including raisins, in the top spots

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

- Beef and beef products: nearly \$1 billion
- Pork and pork products: \$905 million
- Chocolate and cocoa products: nearly \$700 million
- Tree nuts: \$663 million, with almonds, walnuts and pistachios in the top
- Wine and beer: \$644 million
- Pet food: \$630 million
- Spices and sauces: \$630 million
- Breakfast cereals: \$486 million

Finally, prepared food totaled \$1.9 billion in U.S. exports to Canada in 2014.



Source: U.S. Census Bureau Trade Data