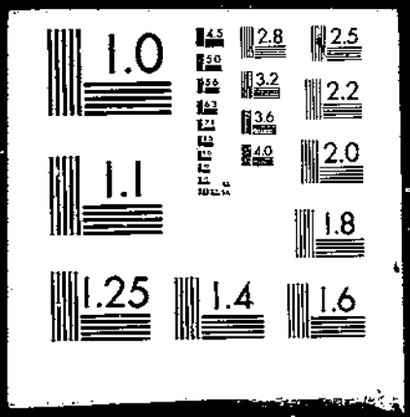
USDA/FAER-107

CANADA'S EXPORT MARKET DEVELOPMENT FOR AGRICULTURAL PRODUCTS. (Foreign Agricultural Economic Report). / Omero Sabatini. Washington, DC: Economic Research Service. May 1975.



CANADA'S Export Market Development for Agricultural Products

U.S. Department of Agriculture

Economic Research Service

Foreign Agricultural Economic Report No. 107

CANADA'S EXPORT MARKET DEVELOPMENT FOR AGRICULTURAL PRODUCTS. Foreign Demand and Competition Division, Economic Research Service, Foreign Agricultural Economic Report No. 107.

ABSTRACT

In the late 1960's Canada's exports of wheat and share of the world wheat market declined. Canada began a program of crop diversification away from wheat and toward barley and rapeseed. To improve Canada's international market position and to facilitate the switch in farm production, the Federal Government began a large-scale, well-financed program for the development of foreign markets for agricultural products. In January 1972, Canada launched a cost-sharing Grains and Oilseeds Marketing Incentive Program, which can receive Federal allocations of up to C$7 million per year and which operates in cooperation with industry associations, trading companies, agencies, universities, and similar organizations. International demand for grain and oilseeds has been strong since this program was put into effect, and so far, emphasis has been on developing long-term projects and building up the infrastructure for foreign market penetration. In 1973, the Government set up another cost-sharing program covering virtually all other farm products, with Government allocations of up to C$3 million per year. In the past few years, Provincial governments, quasi-governmental marketing boards, and private organizations have also stepped up their programs for foreign market development or initiated new ones. The combined funds made available by these groups for the promotion of farm exports amount to several million dollars per year. Canada's increased activity in world markets is creating greater competition for U.S. exports. Canada has been particularly successful in expanding its exports of grains, oilseeds, and pork to countries in East Asia.

Key Words: Canada; Foreign market development; Agricultural exports; Foreign competition; Grain exports; Oilseed exports.

Washington, D.C. 20250

May 1975

PREFACE

This report reviews Canada's programs and institutions for the promotion of agricultural exports. It seeks to: (1) identify activities and organizations that have been most successful in expanding Canadian farm exports to established markets, opening up new outlets for Canadian farm products, and/or making inroads into traditional U.S. markets; and (2) to point out the kind of competition that Canada's export promotion activity is likely to generate in the future for U.S. exporters of farm products.

The author is indebted to numerous officials of the Canadian Government and various other organizations who provided helpful information and assistance. Contacts with most of these officials were established through the courtesy of Garry Benoit, Assistant Commercial Secretary (Agriculture) of the Canadian Embassy in Washington. William J. Mills, former U.S. Assistant Agricultural Attache, Ottawa, was especially cooperative and supplied much of the source material. Reed E. Friend, Leader, Developed Countries Program Area, Foreign Demand and Competition Division, Economic Research Service, provided overall direction and supervision.

EXPLANATORY NOTES

The metric system was occasionally used. The equivalents of the units used are: 1 metric ton = 2,204.6 pounds; and 1 kilogram (kg.) = 2.2046 pounds. Weights equivalents of 1 bushel are as follows: Wheat, 60 lbs., or 27.22 kgs.; barley, 48 lbs., or 21.77 kgs.; oats (Canadian bushel), 34 lbs., or 15.42 kgs.; rye 56 lbs., or 25.40 kgs.; flaxseed, 56 lbs., or 25.40 kgs., rapeseed, 50 lbs., or 22.68 kgs.; and soybeans, 60 lbs., or 27.22 kgs.

Split years (e.g., 1973/74), unless otherwise noted, refer to the Canadian marketing year, which starts on August 1 and ends on July 31.

Both U.S. and Canadian dollars were used. From May 1962 through May 1970, the fixed rate of exchange was C$1 = US$0.925. The fixed relationship was ended in May 1970. Since then, the annual average rate of exchange has been as follows: 1970, C$1 = US$1.04; 1971, C$1 = US$1.01; 1972, C$1 = US$.99: 1973, C$1 = US$1.

CONTENTS

TABLES

SUMMARY

During the past 4 or 5 years, Canada has implemented a significant program for promoting farm exports. Funding is generous, and the Government and other organizations are determined to provide all the financial support needed to assure success.

Canada is a major world exporter of wheat, barley, rapeseed, linseed (flaxseed), and tobacco. It also ships sizable amounts of red meat to the United States and Japan. The decision to increase the foreign market development effort was partly made to counteract the activities of Canada's competitors, especially the United States.

A strong Canadian drive to win a larger share of the world market is bound to have some impact on U.S. commercial interests, since virtually all Canadian farm exports compete, directly or indirectly, with U.S. farm exports. The Canadian challenge will be felt even if world demand for farm goods remains strong because a sustained strong international demand will undoubtedly encourage large increases in Canadian farm production. This extra output could be sold only to overseas markets.

Much of Canada's new export development activity is directed to East Asia (Far East) -- the same region of the world which has demonstrated the largest growth in demand for U.S. farm goods.

Canada has significantly expanded its rapeseed exports to Japan. These sales may have made some inroads into our exports of soybeans to Japan. Canada has also been quite successful in expanding its sales of wheat, barley, and pork to Japan. Some of these sales may have been made in competition with our exports of the same products. Our sales of corn to Japan may also have suffered, as corn competes indirectly with barley.

The Canadians have established a strong commercial presence in the People's Republic of China, selling mostly wheat, but also tobacco. They have exported large amounts of wheat to the USSR and have opened up new markets for their barley in that country and in Eastern Europe.

In the long run, the U.S. wheat industry is likely to be the U.S. commercial sector affected the most by Canada's export promotion campaigns for farm products. Canadian wheat is among the best in the world. Therefore, if prices are competitive, effective sales techniques could succeed in swaying prospective importers toward Canadian wheat.

The promotion of Canadian barley and rapeseed is a more difficult task, because the basic ingredients for animal rations offered by U.S. farmers -- corn and soybeans -- enjoy far greater acceptance in world markets than the barley-rapeseed combination that Canada can now offer.

Until about a decade ago, Canada felt no pressing need for large-scale promotion of agricultural exports, as the markets for most of these products were relatively safe and stable. Direct expenditures for promoting farm exports by all government, quasi-government, and private organizations were about C$1.0-C$1.5 million per year. The Federal Government generally limited itself to financing trade fairs, featuring mostly processed products. Virtually no attempt was made to create a demand for Canadian grain among end users.

However, toward the end of the 1960's, Canada's wheat exports and share of the world wheat market dropped, and huge wheat surpluses accumulated in Canada. There was then no expectation of the steep increase in world demand for wheat that was to start in mid-1972; and it was widely believed that, unless corrective measures were taken, Canadian wheat supplies would be chronically in excess of effective world demand. Other world develop-

ments, such as the increasingly restrictive trade legislation enacted by the European Community and the impending entry of the United Kingdom into that organization, promised to create additional obstacles for virtually all Canadian farm products.

The Government decided to deemphasize wheat production in favor of barley and rapeseed. These were (and remain) the only Canadian crops which were thought to have better long-term sales prospects than wheat in world markets. The Government also began a many-fold expansion of its program for foreign market development, in order to regain lost wheat markets and to win new outlets for the expanded output of barley and rapeseed. Gradually, the program was extended to virtually all other farm products.

The Government set up a cost-sharing Market Development Fund for Agricultural Products with allocations by the Federal Government of up to C$10 million per year. However, each project must be approved and funded individually and actual appropriations may fall short of allocations, especially in years of strong international demand. The fund is concerned not only with the expansion of existing markets and the penetration of new ones for existing products, but also seeks to develop new or improved products and new or improved processes that can lead to larger sales. It can help finance overseas investments in transportation, processing, and distribution facilities to encourage sales of Canadian products. The fund incorporates a grain and oilseed program with Federal allocations of up to C$7 million per year, and one for other farm products with Federal allocations of up to C$3 million per year. The first program was put into effect in January 1972, the second in June 1973.

Because of the upsurge in world trade that started soon after the grain and oilseed program was launched, so far emphasis has been on long-term projects such as product development, improvement of production techniques, plant breeding, and animal nutrition programs to demonstrate the nutritional and economic value of Canadian grains and oilseeds.

Research on new products has concentrated on developing a dual purpose (feed and food) wheat, and on improving varieties of rapeseed. The project for dual purpose wheat seeks to develop a product that can be an adequate nutritional substitute for corn in animal rations -- at prices competitive with corn -- and is also acceptable for breadmaking and noodle manufacturing. Some progress has been made.

Currently, the main aim of research on rapeseed is to achieve complete detoxification of the meal, which in addition to increasing its use as protein feed could also lead to its being used for direct human consumption in meat extenders, synthetic dairy products, and other foods.

Much of the work on new-product development has been conducted by the Canadian Wheat Board and by the Rapeseed Association of Canada. Canada's penetration of the rapeseed market in Japan was brought about mainly by the Rapeseed Association. These and other programs are now receiving financial aid from the Market Development Fund.

Provincial governments and organizations such as the hog marketing agencies in the Prairie Provinces and the Ontario Flue-Cured Tobacco Growers Marketing Board have become deeply involved in foreign market development. The Canada Grains Council and the Canadian Grains Institute were established largely for foreign market development. Alberta has set up an export agency for farm products with an initial allocation of C$10 million. The tobacco sector now makes available an estimated C$2.0-C$2.5 million per year to assist tobacco exports.

Canadian actions to promote exports branch out into related areas, such as expanding the export credit program, and financing the improvement and the expansion of grain handling and transportation facilities within Canada.

CANADA'S EXPORT MARKET DEVELOPMENT FOR AGRICULTURAL PRODUCTS

by

Omero Sabatini
Foreign Demand and Competition Division
Economic Research Service

INTRODUCTION

Through most of the 1960's Canada had a rather limited program for promoting its agricultural exports. The only major Canadian farm export was wheat, and it set international standards of quality. Most other farm exports enjoyed relatively safe and stable markets in the United States, the United Kingdom, and other West European countries.

However, toward the end of the 1960's, the world wheat market weakened and new technological developments in breadmaking greatly reduced the quality advantage of Canadian wheat. Canada's wheat exports and share of the world wheat market dropped.

While the international position of Canadian wheat was deteriorating, access of most Canadian farm products to West European markets was also being hindered by tighter European Community (EC) restrictions on imports. In addition, the anticipated entry of the United Kingdom into the EC was expected to greatly reduce Canadian export opportunities to that country. As European markets became more inward looking, some of Canada's competitors, including the United States, began to expand their sales promotion efforts in Europe, partly to offset some of the EC trade impediments. Of course, this, too, added to Canada's difficulties in retaining its share of the European markets.

On the other hand, Japan, the People's Republic of China (PRC), and the USSR were becoming large outlets for Canadian wheat. Japan had emerged as a new economic giant and, in addition to providing a good market for Canadian wheat, appeared to offer virtually unlimited potential for sales of feed grain, oilseeds, vegetable oils, oilcake, meat, and numerous processed products. But here, too, in order to win and maintain a large share of the market, Canada would have to try to match the promotional efforts of other exporting countries, especially the United States and Australia, who were now turning to Japan with greater vigor, partly to offset the losses they expected in EC markets.

To regain lost wheat markets and to win new outlets for virtually every other farm product, Canada began to expand its export promotion program. Provincial governments and other organizations also stepped up their market development activities, generally cooperating with the Federal Government as well as with one another.

Some of Canada's most important export-promotion programs were launched only a few months ahead of the big and unexpected upswing in world agricultural trade which started in mid-1972. Other programs were launched in 1973, and, ironically, some actions meant to promote certain exports (such as the announcement that certain freight rates on rapeseed meal and rapeseed oil for export would be lowered) almost coincided with the imposition of temporary restrictions on foreign sales of these same products.

Thus, the full impact of Canada's new or expanded programs for export promotion has not yet been felt in world markets. At times during the more recent past, Canada, like a number of other countries, seemed more concerned with maintaining adequate domestic supplies of some farm products than with promoting exports. In the case of wheat, during the winter of 1973/74 Canada was actually being encouraged by one of its traditional

major competitors--the United States--to expand its sales to third-country markets to help relieve the tight world supply situation.

In the long run, however, when (or if) greater amounts of farm products become available for export, and the need to seek out and develop markets becomes more pressing, Canada's competitive position is expected to be enhanced by the new programs and new institutions that have been set up for foreign market development. The temporary and unusually large increase in world demand for most Canadian farm exports has not diverted Canadian farm leaders away from the widely held belief that in the long run, foreign markets should be carefully analyzed, developed, and penetrated (4). 1/

This report provides an overview of Canada's role in world agricultural trade and describes Canada's new general aproach to market development. The most important activities of each major organization involved in trade promotion are described in some detail, but no attempt is made to cover all the programs and all the initiatives of each agency. Much of Canada's intensified export promotion activity is aimed at the U.S. market, but this report devotes only cursory attention to this aspect of the export development efforts.

CANADIAN FARM PRODUCTION AND EXPORTS

Farm Production and its Relationship to the World Market

Canada is one of the world's leading producers and exporters of food and feed. Wheat is by far the principal crop. Next in importance, in terms of area, are barley, oats, rapeseed, mixed grains, and linseed (flaxseed). In the foreseeable future, wheat will undoubtedly remain Canada's most important crop, but during the late 1960's and early 1970's wheat lost its overwhelmingly preeminent position, while barley and rapeseed gained in both absolute and relative terms. Sudden surges in wheat prices bring about temporary and large increases in wheat area, as in 1973, and affect the position of barley and rapeseed relative to wheat. 2/ But it appears unlikely by now that Canadian farmers will return permanently to the old cropping pattern, in which the acreage in wheat was three or four times larger than the area in barley and the acreage in rapeseed was negligible.

Wheat and other grains generally account for about 25 percent of total farm cash receipts; rapeseed and other oilseeds for 3 to 5 percent, and tobacco for approximately 3 percent. 3/ Production of grains and oilseeds is concentrated in the three Prairie Provinces--Manitoba, Saskatchewan, and Alberta. About 90 percent of the tobacco is grown in four counties in southwestern Ontario.

Generally, livestock production provides roughly 60 percent of total farm cash receipts in Canada. Beef cattle are the most important product of the livestock sector, followed by dairy products and, considerably behind, hogs. Livestock production is a larger source of farm income than crops in all Provinces except Saskatchewan.

1/ Underscored numbers in parentheses refer to items in Selected References at the end of this report.

2/ At the start of the 1974 planting season, price prospects for wheat were more favorable than for oilseeds. The report on planting intentions for 1974 indicated that the farmers wanted to increase the acreage in wheat and reduce the area in rapeseed. However, heavy spring rains delayed seeding operations and forced the farmers to alter their planting intentions to include less wheat and more rapeseed. Consequently, the 1974 area in wheat was smaller than in 1973, while the area in rapeseed remained at about the same level.

3/ Total cash receipts were C$4.5 billion in 1971 and C$5.4 billion in 1972. They jumped to C$6.9 billion in 1973. Realized net income for these same years was C$1.5 billion, C$2.1 billion, and nearly C$3 billion, respectively.

In world markets, however, Canada is known primarily as a major exporter of grains and oilseeds--especially wheat, barley, and rapeseed--and as an important supplier of flue-cured tobacco. Except for sales of red meat and live animals to the United States, and shipments of pork to Japan, Canada's export of livestock and livestock products are of secondary importance.

Canadian wheat is grown primarily for export. World market conditions for wheat affect not only the size of Canada's wheat crop, but also the entire cropping pattern of Canadian agriculture, as well as overall farm export policies and programs. When world trade in wheat is strong, Canadian production is roughly in balance with total disappearance. In those years, farmers are encouraged to grow all the wheat they can, and export promotion activities are relatively limited.

For many years prior to 1972/73, however, Canadian wheat production--and consequently much of Canadian crop production--tended to be in excess of effective world demand. Disposal of wheat surpluses was then one of the main concerns of Canada's farm policy. By the end of the 1969/70 marketing season, stocks were almost equal to the combined disappearance of the previous 2 years.

To cope with the surplus wheat output, in the late 1960's, the Government initiated a number of generally successful programs to shift production away from wheat and toward barley, rapeseed, and meat -- commodities which were thought to have a better long-term potential than wheat. At about the same time, the Government (either jointly or concurrently with other organizations) also began stepping up its export marketing efforts for grains and oilseeds. (There was then no indication of the steep increase in world demand that was to start in mid-1972.) The aim was to regain lost international markets and to help Prairie farmers find viable alternatives to wheat production. Partly as a result of the decision to expand this export drive, the export promotion program was extended to virtually every other farm product in order to benefit commodities from all parts of the country, not just those produced mainly in the Prairies.

In about 2 years, through increased exports and reduced production, the Government succeeded in reducing wheat stocks by 43 percent. Then, in mid-1972, the sudden upsurge in world imports enabled Canada to dispose of all its excess wheat; and by 1973 there was some concern in the country that wheat stocks were getting too low.

There remains, however, a general belief in Canada that in the long run, the country must adhere to the policy of deemphasizing wheat in favor of feed grains and oilseeds, and also meat.

Before the start of the 1973 and 1974 planting seasons, the Government, while urging the farmers to produce all the wheat they could in order to take advantage of strong world demand, was also encouraging them to maintain and expand production of barley and rapeseed, cautioning that the increase in wheat should not be at the expense of feedgrains and oilseeds.

In general, Canadian farm policymakers feel that the world grain market will weaken again in the future; they believe that the steep increase in world imports of wheat that started in mid-1972 is temporary, since it was generated by unusual circumstances, such as severe production shortfalls in the USSR and other countries. The Canadian farm sector is generally convinced that world surpluses of wheat could again become burdensome (4), (7), (15).

On the other hand, world demand for meat has trended upward and further long-term expansion is generally predicted. The growing world need for livestock and poultry feed

improves the outlook for coarse grains and high protein feed. Canadians believe that their producers of barley and rapeseed can benefit from the growing demand for this type of products. 4/

There is also considerable scope for increased use of barley and rapeseed by the Canadian livestock sector. Canada has become a net importer of beef in the past few years. By expanding production, the Canadian livestock sector can supply a larger share of the growing demand for meat, both at home and abroad.

In 1973, the Federal Department of Agriculture estimated that a 50-percent increase in meat production was needed between that year and 1980 just to meet the Canadian demand (28).

According to one estimate of Canada's Meat Packers Council, Canada would need to increase the number of its beef cows by at least one-fifth by 1980, in order to participate in the expanded market for beef which is anticipated to occur in North America by 1980. Canada could also become a larger supplier of pork to the United States and Japan.

Canadian Farm Exports

Composition of Exports

Canadian farm exports trended upward in the past decade, rising from an average of US$1.6 billion per year in 1963-67 to approximately US$2.1 billion in 1972 (excluding transshipments). As a result of large price increases in 1973, the value of exports jumped 40 percent to reach US$3 billion (table 1).

Wheat, including flour, has consistently dominated Canadian agricultural exports. In the early 1960's, wheat accounted for about 60 percent of the total value, but its share dropped to 45 to 50 percent in the 1970's, partly because of the increase in the value of barley and rapeseed exports.

Through the 1950's and in some years during the 1960's, tobacco was Canada's second largest export. Its share of the total export value, however, was generally less than 5 percent. Tobacco exports have varied relatively little in the past several years.

Barley, rapeseed, and flaxseed have now moved ahead of tobacco. Barley currently provides 7 to 10 percent of the total value. In terms of quantities, barley exports peaked in 1971. Since then, lower production and expanding domestic requirements have resulted in decreased foreign sales. But barley production and exports are expected to rebound in the future.

Exports of Canadian oats fluctuate widely. They have picked up substantially in recent years, but remain a small fraction of the amounts reached in the 1940's and 1950's.

Flaxseed was once Canada's leading oilseed export, but since 1970 export revenues from rapeseed have exceeded those from flaxseed by rather large amounts. Foreign shipments of Canadian flaxseed have trended upward in the past decade. Although world

4/ During the 1963-72 decade, world trade in wheat averaged about 56 million tons annually. With the sharp increase of 1972, average annual exports in the last 3 years of the decade (1970-72) were 59.9 million tons, compared with 57 million metric tons in 1963-65. World trade in feed grain rose from an annual average of less than 37 million tons in 1963-65 to nearly 54 million tons in 1970-72. For high protein feeds, the trend rate of increase in world exports was the meal equivalent of roughly 1.7 million tons of soybeans per year.

Table 1--Exports of principal Canadian agricultural products, 1963-73

Commodity	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
	Million U.S. dollars										
Grains and preparations											
Wheat, unmilled	730.1	946.8	777.2	981.5	686.2	633.1	437.3	658.8	824.0	527.8	1,217.6
Wheat flour	58.1	92.8	61.3	76.6	56.1	53.6	49.5	51.3	53.8	45.5	47.7
Barley, unmilled	22.8	47.4	40.4	41.6	67.2	37.0	28.1	127.9	193.4	219.1	277.8
Rye	6.3	7.7	5.4	11.7	10.6	6.3	3.0	5.8	11.6	10.8	17.0
Other	38.4	31.3	37.4	34.4	31.8	31.3	34.1	70.4	52.2	59.2	70.3
Subtotal	855.7	1,126.0	921.7	1,145.8	851.9	761.3	552.0	920.2	1,135.0	1,262.4	1,630.4
Oilseeds											
Rapeseed	15.0	9.4	28.6	35.7	37.9	29.6	29.0	75.7	146.7	126.6	230.2
Flaxseed	35.8	45.0	47.8	56.3	41.2	35.2	48.5	53.4	63.2	69.2	113.0
Soybeans	4.6	5.3	9.2	10.1	7.3	4.4	2.0	3.0	4.0	5.7	6.2
Other	3.7	3.5	5.3	7.0	7.9	8.1	7.9	12.4	10.6	13.6	20.0
Subtotal	59.1	63.2	90.9	109.1	94.3	77.3	87.4	144.5	224.5	215.1	369.4
Tobacco, unmanufactured	27.0	35.0	32.0	35.1	43.5	50.1	54.5	52.0	52.5	53.8	56.3
Live animals											
Cattle	37.4	28.1	68.4	64.9	31.7	45.8	40.9	49.3	50.8	68.0	118.3
Other	--	2.0	2.6	4.0	5.3	6.2	6.5	13.5	11.7	13.3	26.8
Subtotal	37.4	30.1	71.0	68.9	37.0	52.0	47.4	62.8	62.5	81.3	145.1
Meat and meat preparations											
Pork, fresh or frozen	13.3	14.8	18.6	17.8	20.2	21.1	24.9	29.6	36.4	59.0	89.5
Beef and veal, fresh or frozen	7.5	11.8	27.5	24.7	13.7	22.3	29.1	57.0	46.7	40.7	56.5
Other	21.7	22.9	25.8	26.1	22.3	22.9	24.7	35.4	28.1	36.7	57.0
Subtotal	42.5	49.5	71.9	68.6	56.2	66.3	78.7	122.0	111.2	136.4	203.0
Animal feed											
Oilseed cake and meal	21.5	20.7	24.5	20.1	16.2	15.1	13.8	15.9	12.8	13.8	25.9
Bran, pollard, etc.	5.0	7.7	6.4	6.7	5.2	4.8	6.7	12.3	13.5	13.7	19.1
Other	25.6	27.5	30.8	31.0	31.2	29.8	37.0	47.5	50.4	51.1	68.3
Subtotal	52.1	55.9	61.7	57.8	52.6	49.7	57.5	75.7	76.7	78.6	113.3
Fruits and vegetables											
Apples	11.1	10.7	10.2	9.5	12.6	15.2	13.0	10.2	10.0	9.2	14.7
Potatoes	7.4	10.3	14.5	9.6	10.4	8.3	11.5	12.0	7.3	8.1	11.6
Other	29.3	29.0	34.1	41.3	51.2	45.8	50.0	55.5	49.8	62.7	75.4
Subtotal	47.8	50.0	58.8	60.4	74.2	69.3	74.5	77.7	67.1	80.0	101.7
Dairy products and eggs											
Milk and cream, dry	11.9	13.3	22.1	13.4	16.6	11.4	17.0	28.5	40.7	32.5	79.0
Cheese and curd	8.4	10.4	10.8	13.2	10.6	15.1	13.3	16.0	18.5	14.9	8.5
Other	3.5	15.2	6.1	3.4	3.2	2.6	3.6	8.7	5.0	2.8	7.8
Subtotal	23.8	38.9	39.0	30.0	30.4	29.1	33.9	53.2	64.2	50.2	95.3
Hides and skins, undressed											
Cattle hides	7.6	9.1	14.4	25.6	17.7	15.1	17.4	15.7	14.2	35.3	48.4
Furskins	30.9	28.8	29.0	31.1	28.7	31.3	31.5	27.1	23.9	34.9	42.7
Other	4.8	4.8	6.8	6.3	4.9	4.6	5.9	5.8	4.6	5.6	7.2
Subtotal	43.3	42.7	50.2	63.0	51.3	51.0	54.8	47.8	42.7	75.8	98.3
Other agricultural exports	179.9	203.9	199.5	215.9	227.0	98.7	104.3	136.0	145.1	114.1	191.6
Total agricultural exports	1,368.6	1,695.2	1,596.7	1,854.6	1,518.4	1,304.8	1,145.0	1,691.9	1,982.5	2,147.7	3,004.4
Other exports	5,108.4	5,986.0	6,510.4	7,696.8	9,036.9	11,251.0	12,609.0	14,872.4	15,692.0	18,030.1	21,639.2
Total exports	6,477.0	7,681.2	8,107.1	9,551.4	10,555.3	12,555.8	13,754.0	16,564.3	17,674.5	20,177.8	24,643.6
Agricultural percent of total	21.1	22.1	19.7	19.4	14.4	10.4	8.3	10.2	11.2	10.6	12.1

Sources: (38); UN Commodity Trade Statistics; and OECD Trade by Commodities.

prices and demand for flaxseed were up sharply in mid-1973, and are expected to continue strong through 1974/75, long-term prospects for flaxseed are not very favorable. It is not certain that Canadian exports of this commodity will keep trending upward.

Rapeseed production leaped forward in 1969-71, and exports rose from 307,000 tons in 1969 to 635,000 tons in 1970 and 1.2 million tons a year later. Acreage and production dropped back in 1972 and have remained about the same since then. 5/ Large carryover stocks for a while enabled Canada to maintain exports at high levels, but unless production rebounds, exports are bound to suffer.

Although Canada is not a major world exporter of livestock products, exports of cattle, beef, pork, cheese, and nonfat dry milk are substantial. The combined share of live animals, meat, and dairy products in the total value of Canadian farm exports rose from an average of 10 percent in the mid-1960's to about 13 percent in more recent years.

Sizable amounts of fruits (especially apples) and vegetables are also exported. However, Canada is a large net importer of fruits and vegetables, and will undoubtedly remain so due to production limitations imposed by the climate. The United States is the largest foreign supplier of horticultural crops to Canada.

Patterns of Trade and Competition With U.S. Products

Exports by Commodity -- Canada is the second largest supplier of wheat to world markets, after the United States, generally accounting for between one-fourth and one-fifth of world wheat and flour trade. In the late 1960's, however, the Canadian share dropped to less than one-fifth (table 2).

Most wheat exported from Canada is Hard Red Spring wheat, which competes directly with U.S. Hard Red Spring and Winter wheat. Durum has annually accounted for 4 to 13 percent of total Canadian wheat and flour exports.

Canadian wheat now has its principal markets in the Soviet Union and the PRC which have replaced the United Kingdom and other countries in Western Europe as the major outlets (table 3). The PRC is usually the largest market. The drop in exports to the United Kingdom and other major markets in Western Europe was partly a result of the improvement in quality of wheat from competitors, and a higher degree of self-sufficiency and greater protectionism in Europe. Japan has become a major buyer. In 1973, it moved ahead of the United Kingdom.

However, the United Kingdom and other members of the EC remain very important outlets for Canadian wheat. Developing countries also purchase sizable amounts of wheat from Canada.

The large shipments of U.S. grain that have been made to the Soviet Union and the PRC since 1972, together with the changes in the political and economic relations of the United States with those two countries, may bring about some long-lasting changes in the wheat importing patterns of the Soviet Union and the PRC. However, Canada is likely to maintain its position in the USSR market and to retain its lead in the PRC, provided that these two countries will continue to procure wheat from foreign sources.

Barley has been exported mainly to Western Europe, but Japan, the Soviet Union, Eastern Europe, and Israel are emerging as new import markets (table 4). Sizable amounts are shipped to the United States. Canada's share of world barley exports jumped from about 13 percent at the start of the 1960's to 33 percent at the beginning of the 1970's (table 5). Since then, Canada has vied with France for first place among the world's

5/ Reasons for the drastic changes in rapeseed production are discussed on pp. 50-51.

Table 2--Canadian, U.S., and total world wheat exports, by major areas of destination and Canadian and U.S percentages of the market, 1962/63-1971/72 1/

Destination	Origin of exports														
	1962/63			1963/64			1964/65			1965/66			1966/67		
	Total world	Canada	U.S.	Total world	Canada	U.S.	Total world	Canada	U.S.	Total world	Canada	U.S.	Total world	Canada	U.S.
	1,000 metric tons and percentages														
United Kingdom. . .	4,244	2,418	153	4,782	2,404	523	4,186	2,265	244	4,560	2,126	812	4,035	2,000	702
Percent of market		57.0	3.6		50.3	10.9		54.1	5.8		46.6	17.8		49.6	17.4
EC's original six 2/	3,793	1,416	845	5,423	1,768	1,930	4,332	1,402	797	5,086	1,184	1,948	4,713	1,497	1,663
Percent of market		37.3	22.3		32.6	35.6		32.4	18.4		23.3	38.3		31.8	35.3
Other Western Europe	3,404	342	1,680	2,785	627	1,169	3,113	316	1,758	3,460	350	2,152	2,260	342	722
Percent of market		10.0	49.4		22.5	42.0		10.2	56.5		10.1	62.2		15.1	31.9
Subtotal W. Europe	(11,441)	(4,176)	(2,678)	(12,990)	(4,799)	(3,622)	(11,631)	(3,983)	(2,799)	(13,106)	(3,660)	(4,912)	(11,008)	(3,839)	(3,087)
Percent of market:		(36.5)	(23.4)		(36.9)	(27.9)		(34.2)	(24.1)		(27.9)	(37.5)		(34.9)	(28.0)
Japan	2,674	1,262	1,005	3,898	1,309	2,077	3,577	1,433	1,654	3,591	1,285	1,942	4,186	1,620	2,135
Percent of market		47.2	37.6		33.6	53.3		40.1	46.2		35.8	54.1		38.7	51.0
USSR.	1	---	---	10,044	5,686	1,720	2,133	931	46	8,637	5,168	---	2,866	2,712	---
Percent of market		---	---		56.6	17.1		43.6	2.2		59.8	---		94.6	---
People's Republic of China	4,871	1,678	---	5,198	1,005	---	5,054	1,758	---	6,372	2,053	---	5,007	2,465	---
Percent of market		34.4	---		19.3	---		34.8	---		32.2	---		49.2	---
Eastern Europe. . .	4,553	506	556	4,179	739	1,441	4,698	1,927	57	5,373	852	71	5,051	928	152
Percent of market		11.1	12.2		17.7	34.5		41.0	1.2		15.9	1.3		18.4	3.0
India and Pakistan.	5,347	29	4,940	6,333	30	6,041	8,434	259	7,638	8,676	341	8,111	8,095	1,796	5,160
Percent of market		.5	92.4		.5	95.4		3.1	90.6		3.9	93.5		22.2	63.7
Asia 3/	4,724	333	2,794	4,457	411	2,463	5,373	386	2,497	5,516	275	3,119	6,065	191	2,936
Percent of market		7.0	59.1		9.2	55.3		7.2	46.5		5.0	56.5		3.1	48.4
South America . . .	3,911	246	2,287	3,603	248	2,213	4,043	336	2,057	4,499	231	2,220	5,058	152	2,710
Percent of market		6.3	58.5		6.9	61.4		8.3	50.9		5.1	49.3		3.0	53.6
Other	6,002	785	3,072	5,691	861	3,522	6,254	896	2,859	6,717	928	3,022	8,797	1,130	3,798
Percent of market		13.1	51.2		15.1	61.9		14.3	45.7		14.4	45.0		12.8	43.2
Total world 4/. .	43,524	9,015	17,332	56,393	15,088	23,099	51,197	11,909	19,607	62,487	14,833	23,398	56,133	14,833	19,978
Percent of market:		20.7	39.8		26.8	41.0		23.3	38.3		23.7	37.4		26.4	35.6

See footnotes at end of table.

Continued

Table 2--Canadian, U.S., and total world wheat exports, by major areas of destination and Canadian and U.S. percentages of the market, 1962/63-1971/72 1/--Continued

Destination	Origin of exports														
	1967/68			1968/69			1969/70			1970/71			1971/72		
	Total world	Canada	U.S.	Total world	Canada	U.S.	Total world	Canada	U.S.	Total world	Canada	U.S.	Total world	Canada	U.S.
	1,000 metric tons and percentages														
United Kingdom. . .	4,076	1,878	286	4,520	1,586	123	4,783	1,417	322	5,135	1,687	1,221	3,840	1,429	694
Percent of market		46.1	7.0		35.1	2.7		29.6	6.7		32.9	23.8		37.2	18.1
EC's original six 2/	3,755	1,119	1,536	4,494	1,217	1,923	3,660	1,123	1,461	4,379	1,560	2,033	3,243	1,305	1,079
Percent of market		29.8	40.9		27.1	42.8		30.7	39.9		35.6	46.4		40.2	33.3
Other Western Europe	1,565	216	490	1,338	250	219	1,576	284	419	2,163	328	1,153	1,278	158	443
Percent of market		13.8	31.3		18.7	16.4		18.0	26.6		15.2	53.3		12.4	34.7
Subtotal W. Europe	(9,396)	(3,213)	(2,312)	(10,352)	(3,053)	(2,265)	(10,019)	(2,824)	(2,202)	(11,677)	(3,575)	(4,407)	(8,361)	(2,892)	(2,216)
Percent of market		(34.2)	(24.6)		(29.5)	(21.9)		(28.2)	(22.0)		(30.6)	(37.7)		(34.6)	(26.5)
Japan	3,938	1,098	2,225	4,325	1,247	1,839	4,472	1,068	2,382	4,728	1,029	2,878	5,049	1,388	2,195
Percent of market		27.9	56.5		28.8	42.5		23.9	53.3		21.8	60.9		27.5	43.5
USSR.	1,534	1,372	---	147	147	---	1,105	1,105	---	315	315	---	3,409	2,821	---
Percent of market		89.4	---		100.0	---		100.0	---		100.0	---		82.8	---
People's Republic of China	4,156	1,367	---	3,563	2,127	---	5,040	1,830	---	3,660	2,346	---	2,967	2,967	---
Percent of market		32.9	---		59.7	---		36.3	---		64.1	---		100.0	---
Eastern Europe. . .	4,287	360	41	4,067	293	14	4,476	179	10	5,778	126	492	4,715	122	3
Percent of market		8.4	1.0		7.2	.3		4.0	.2		2.2	8.5		2.6	.1
India and Pakistan.	8,849	370	7,707	3,846	803	2,822	4,116	372	3,303	3,231	719	2,101	2,513	699	1,656
Percent of market		4.2	87.1		20.9	73.4		9.0	80.2		22.3	65.0		27.8	65.9
Asia 3/	6,024	219	3,290	7,366	207	4,158	8,716	349	4,423	10,840	1,082	5,413	11,611	880	5,642
Percent of market		3.6	54.6		2.8	56.4		4.0	50.7		10.0	49.9		7.6	48.6
South America . . .	5,050	97	2,811	4,999	88	2,209	4,951	219	2,442	4,436	661	2,268	4,398	507	2,318
Percent of market		1.9	55.7		1.8	44.2		4.4	49.3		14.9	51.1		11.5	52.7
Other	7,589	806	1,812	6,330	735	1,386	7,362	1,053	1,718	9,041	1,708	2,262	9,420	1,440	2,877
Percent of market		10.6	23.9		11.6	21.9		14.3	23.3		18.9	25.0		15.3	30.5
Total world 4/. .	50,823	8,902	20,198	44,995	8,700	14,693	50,257	8,999	16,480	53,706	11,561	19,821	52,443	13,716	16,907
Percent of market		17.5	39.7		19.3	32.7		17.8	32.8		21.5	36.9		26.2	32.2

1/ Includes wheat flour in terms of wheat; July-June crop year.
2/ France, West Germany, Italy, Netherlands, Belgium, and Luxembourg. The United Kingdom, Denmark and Ireland became members of the EC in January 1973.
3/ Exclusive of Japan, India, Pakistan and the People's Republic of China.
4/ Years 1967/68-1971/72 do not include trade among EC's six original members.

Source: International Wheat Council. World Wheat Statistics. Annual. London.

Table 3--Exports of Canadian wheat, by destination, quantity and value, average 1963-67 and annual 1968-73

Country	1963-67 average	1968	1969	1970	1971	1972	1973
				1,000 metric tons			
People's Republic of China	1,694	2,147	1,676	1,975	3,020	3,729	2,398
USSR	2,852	1,088	33	1,376	1,737	3,623	3,202
Japan	1,370	1,303	1,083	1,181	1,240	1,291	1,486
United Kingdom	1,870	1,439	1,248	1,419	1,445	1,319	1,110
Italy	184	362	354	263	517	432	298
West Germany	488	281	241	329	305	118	125
Netherlands	489	516	409	450	633	387	311
Belgium-Luxembourg	422	239	257	279	239	215	65
Norway	45	30	40	116	64	8	26
Eastern Europe (excluding USSR)	997	416	90	184	124	170	219
India	415	630	586	664	678	1	728
Pakistan	71	75	23	149	75	363	165
Philippines	114	20	---	---	230	155	145
Iraq	---	2	1/	15	339	---	---
Syria	1/	56	---	267	312	117	23
Egypt	---	---	---	444	30	---	---
Algeria	6	82	---	171	338	322	267
Cuba	191	105	---	208	67	244	243
Brazil	---	---	---	302	401	315	382
Peru	14	---	57	210	246	139	220
Venezuela	185	97	66	34	9	9	9
Other countries	661	358	523	710	820	875	884
Total	12,068	9,246	6,686	10,746	12,869	13,832	12,305
				1,000 U.S. dollars			
People's Republic of China	110,387	145,915	110,793	116,494	191,016	232,339	186,791
USSR	191,482	76,867	2,219	83,013	110,389	241,245	235,424
Japan	92,936	87,954	70,506	74,294	80,981	88,549	173,051
United Kingdom	130,343	98,027	81,476	88,243	92,953	96,983	137,639
Italy	12,726	25,594	23,240	16,991	33,394	29,722	50,133
West Germany	34,520	19,323	16,612	21,190	19,940	8,582	18,681
Netherlands	29,399	36,340	27,403	28,387	40,933	26,754	39,675
Belgium-Luxembourg	28,455	16,322	16,693	17,719	15,332	16,275	11,492
Norway	3,016	2,027	2,044	6,336	4,050	522	5,058
Eastern Europe (excluding USSR)	69,173	28,961	5,524	10,883	8,072	12,161	30,167
India	29,418	42,273	37,895	42,914	43,729	77	88,524
Pakistan	5,010	4,638	1,419	9,460	4,621	24,191	26,114
Philippines	7,855	1,366	---	---	14,714	10,377	12,119
Iraq	---	102	20	720	21,798	---	---
Syria	10	3,123	---	15,064	18,778	7,274	1,459
Egypt	---	---	---	29,446	2,066	---	---
Algeria	436	5,481	---	11,065	21,675	22,593	22,504
Cuba	13,223	7,745	---	12,048	4,061	16,397	18,888
Brazil	---	---	---	17,567	25,383	20,577	37,736
Peru	928	---	3,499	12,608	15,437	9,962	22,191
Venezuela	12,744	6,567	4,243	2,223	661	812	946
Other countries	52,290	24,509	33,673	42,107	54,065	62,434	99,040
Total	824,351	633,134	437,259	658,772	824,048	927,826	1,217,632

1/ Less than 500 metric tons.

Source: (36), (38), and UN Commodity Trade Statistics.

Table 4--Exports of Canadian barley, by destination, quantity and value, average 1963-67, and annual 1968-73

Destination	Average 1963-67	1968	1969	1970	1971	1972	1973
	1,000 metric tons						
United Kingdom. .	176	66	313	576	746	471	61
Italy	125	161	---	547	799	1,047	661
West Germany. . .	27	---	---	463	376	236	63
Japan	152	231	94	544	601	674	939
United States . .	144	143	161	228	209	334	210
USSR.	---	---	---	---	---	515	670
Eastern Europe. . (excluding USSR)	6	---	---	164	330	714	184
Israel.	35	48	59	115	156	147	198
Other countries .	129	39	30	351	834	361	199
Total	794	688	657	2,988	4,051	4,499	3,185
	1,000 U.S. dollars						
United Kingdom. .	9,674	3,606	12,913	24,555	35,514	23,343	5,776
Italy	7,286	8,552	---	22,129	36,429	44,957	40,469
West Germany. . .	1,418	---	---	21,880	17,220	10,811	6,454
Japan	8,163	12,275	3,450	21,412	29,043	36,012	91,666
United States . .	8,358	7,707	8,009	11,822	11,497	21,008	26,445
USSR.	---	---	---	---	---	23,899	49,360
Eastern Europe. . (excluding USSR)	330	---	---	7,231	14,998	33,085	21,655
Israel.	1,703	2,579	2,440	4,842	7,049	6,328	17,664
Other countries .	6,932	2,321	1,333	14,042	41,627	19,661	18,270
Total	43,864	37,040	28,145	127,913	193,377	219,104	277,759

Sources: (36), (38) and UN Commodity Trade Statistics.

Table 5--World exports of barley by principal countries of origin and Canadian, U.S., and French share of the total, 1960/61-1973/74

Year 1/	Total world 2/	Canadian exports	Canadian share	U.S. exports	U.S. share	French exports 2/	French share
	1,000 M.T.	1,000 M.T.	Percent	1,000 M.T.	Percent	1,000 M.T.	Percent
1960/61	6,188	908	14.7	1,866	30.2	1,080	17.5
1961/62	7,088	826	11.7	1,838	25.9	1,621	22.9
1962/63	5,070	296	5.8	1,470	29.0	1,017	20.1
1963/64	7,454	904	12.1	1,538	20.6	2,255	30.3
1964/65	7,005	713	10.2	1,321	18.9	2,241	32.0
1965/66	8,645	778	9.0	1,676	19.4	1,839	21.3
1966/67	6,618	1,157	17.5	980	14.8	1,838	27.8
1967/68	6,640	838	12.6	675	10.2	2,597	39.o
1968/69	7,028	447	6.4	283	4.0	3,422	48.7
1969/70	8,959	1,497	16.7	370	4.1	3,386	37.8
1970/71	11,122	3,862	34.7	1,698	15.3	1,938	17.4
1971/72	13,787	4,468	32.4	1,110	8.1	3,910	28.4
1972/73	11,896	3,669	30.8	1,437	12.1	4,227	35.5
1973/74 3/	12,459	2,950	23.7	1,742	14.0	4,400	35.3

1/ July-June crop year. 2/ Includes intra-EC trade. 3/ Preliminary estimate.

Source: USDA FAS-ERS Grain Data Base

leading barley exporters. Since 1966/67, Canada's total barley exports have been larger than those from the United States.

Canadian barley exports are no longer a residual of domestic demand, as they were until a relatively few years ago. Nearly nine-tenths of barley exports are for feed; the remainder is for malting. Canadian barley competes indirectly with U.S. corn and grain sorghum, and, as discussed later, a good deal of the Canadian barley export promotion effort is aimed at replacing U.S. corn in various markets around the world.

Rapeseed and rapeseed products are shipped mainly to Japan. The remainder goes mostly to West European countries (table 6). In the foreseeable future, Canada should remain the world's largest exporter of rapeseed, even if production does not return to the peak levels of 1970 and 1971. Canadian rapeseed indirectly competes with U.S. exports of soybeans and soybean products. Rapeseed is also gaining a growing share of the Canadian market for vegetable oils and oilseed cake, and has adversely affected U.S. exports of soybeans and soybean products to Canada.

Flaxseed exports go mainly to Western Europe (table 7). In the early 1970's, world prices of flaxseed were depressed and the United States almost dropped out of the flaxseed export market. In those years, Canadian exports went up sharply. World demand and prices of flaxseed have strengthened since then, but Canadian exports have been lower because of reduced supplies.

Tobacco will probably continue to be exported mainly to the United Kingdom, which is also a major outlet for tobacco of U.S. origin. In the next several years the United Kingdom will undoubtedly remain by far the most important buyer of Canadian tobacco. Although the United Kingdom's entry into the EC will cause some erosion of the market for the Canadian product (as well as for American tobacco), quality considerations and other factors will tend to offset the adverse impact of the United Kingdom's membership in the EC (32).

Pork is exported almost exclusively to the United States and Japan. In the early 1970's, Canadian sales of pork to Japan showed one of the fastest rates of increase of all Canadian farm exports.

Other Canadian agricultural products (some of them of relatively small importance to the Canadian farm economy) also compete with U.S. agricultural products in foreign markets and, for some items, in the United States. Among these are potatoes, apples, cattle, hides and skins, nonfat dry milk, and poultry meat.

Exports by Country -- Shifts in the direction of wheat exports together with the higher volume of trade in barley and rapeseed have resulted in major changes in the pattern of total Canadian farm trade by country of destination. Table 8 shows the changes that have occurred since the end of World War II.

The United Kingdom no longer is Canada's principal customer, and the importance of this market is likely to decline further as a result of U.K. membership in the EC. In addition to tobacco, wheat, feed barley, and cheese exports to the United Kingdom will be adversely affected. The market for vegetable oils and oilcake will also be jeopardized with the loss of preferential duties.

In past years, the USSR and the PRC have taken a relatively small but growing share of total Canadian farm exports. Sales to those markets were principally wheat. But Canada has also sold sizable amounts of barley to the Soviet Union and tobacco to the PRC. Japan is a much more diversified and generally much larger market, importing oilseeds, feed grains, and meat as well as wheat.

Table 6--Exports of Canadian rapeseed by destination, quantity and value, average 1963-67, and annual 1968-73

Destination	Average 1963-67	1968	1969	1970	1971	1972	1973
	1,000 metric tons						
Japan	133	252	245	336	426	588	711
Italy	40	7	4	32	92	68	86
Netherlands	18	6	21	91	204	91	62
West Germany	8	3/	3	52	92	28	88
France	---	---	---	11	165	143	17
Belgium-Luxembourg	1/2	---	---	8	4	2	2
United Kingdom	3	---	6	6	8	19	3
Eastern Europe	5	---	---	20	13	---	---
India	2/1	---	---	15	80	51	51
Pakistan	1/8	---	3/	29	21	52	---
Other countries	17	64	28	35	46	36	174
Total	235	329	307	635	1,151	1,078	1,194
	1,000 U.S. dollars						
Japan	14,643	22,873	22,711	39,293	53,971	70,201	134,392
Italy	4,517	515	296	3,895	12,051	7,709	15,492
Netherlands	1,876	595	2,362	11,396	26,533	10,523	14,276
West Germany	941	20	298	6,346	11,281	3,202	17,627
France	---	---	---	1,219	20,572	16,441	3,834
Belgium-Luxembourg	1/112	---	---	1,002	407	179	393
United Kingdom	380	---	654	760	1,000	2,121	426
Eastern Europe	598	---	---	2,607	1,609	---	---
India	2/63	---	---	1,657	10,393	6,375	8,884
Pakistan	1/937	---	23	3,168	3,026	5,929	---
Other countries	1,251	5,608	2,624	4,427	5,886	3,958	34,826
Total	25,318	29,611	28,968	75,770	146,729	126,638	230,150

1/ Exports in 1965 and 1966 only.
2/ Exports in 1964 only.
3/ Less than 500 metric tons.

Sources: (36), (38) and UN Commodity Trade Statistics.

Table 7--Exports of Canadian flaxseed by destination, quantity and value, average 1963-67, and annual 1968-73

Destination	Average 1963-67	1968	1969	1970	1971	1972	1973
	1,000 metric tons						
Netherlands	68	39	82	111	224	253	87
West Germany	25	15	30	51	90	79	118
United Kingdom	110	60	53	57	61	47	50
Spain	16	14	27	33	30	12	11
Eastern Europe (excluding USSR)	21	10	18	9	11	6	16
Japan	105	95	135	138	118	107	110
Other countries	44	45	59	95	92	91	41
Total	389	278	404	494	626	595	433
	1,000 U.S. dollars						
Netherlands	7,730	4,895	9,900	12,057	22,714	28,629	24,364
West Germany	2,841	1,989	3,674	5,305	8,939	9,352	32,832
United Kingdom	12,826	7,586	6,349	6,069	6,158	5,619	13,016
Spain	1,866	1,750	3,188	3,486	2,758	1,391	2,615
Eastern Europe (excluding USSR)	2,493	1,236	2,179	910	1,025	778	4,890
Japan	12,338	12,108	16,029	15,074	12,498	12,623	23,633
Other countries	5,108	5,599	7,160	10,531	9,140	10,807	11,634
Total	45,202	35,163	48,479	53,432	63,232	69,199	112,984

Sources: (36), (38), and UN Commodity Trade Statistics.

Table 8 --Percent distribution of Canadian agricultural exports by principal country of destination, averages 1945-49 to 1965-69 and annual 1970-72

Average, year	Total	United Kingdom	United States	EC's original six 1/	Japan	USSR	People's Republic of China	Other
	1,000 C$			Percent 2/				
1945-49	910	45.8	22.6	3.1	-	-	-	28.4
1950-54	1,012	27.0	30.0	14.2	5.6	-	-	23.0
1955-59	945	30.8	23.9	16.3	8.7	1.0	-	19.5
1960-64	1,264	23.9	17.1	14.3	9.7	5.5	8.0	21.6
1965-69	1,509	19.3	18.2	12.6	10.8	9.5	8.7	20.9
1970	1,685	16.3	20.5	13.7	11.5	5.3	7.2	25.5
1971	1,984	14.7	16.8	16.4	11.7	5.7	9.7	24.8
1972	2,135	13.1	17.0	13.2	12.9	12.6	10.8	20.5

1/ France, West Germany, Italy, Netherlands, Belgium and Luxembourg.
2/ Totals may not add to 100.0 due to rounding.

Source: (36).

Although Canada's principal farm exports go mainly to countries other than the United States, since 1968 the United States has been the largest single market for Canada's total farm exports, taking between 30 and 40 percent of exports other than wheat.

The United States is also the most diversified market for Canadian agricultural exports and the major or only important foreign outlet for many products, including cattle, animal feeds, beef, bacon, casein, eggs, certain fruits (e.g., blueberries and raspberries), maple syrup, and macaroni products.

Movement of most commodities across the U.S.-Canadian border has been relatively free of restrictions. In general, trade had flowed in either direction in response to prices, tariffs, exchange rates, and savings in transportation costs resulting from purchases made in nearby areas across the long common border, rather than in a more distant region within the same country.

Through 1973, reciprocal reductions of tariffs had contributed to the de facto creation of a U.S.-Canadian "common market" for most agricultural products other than grains and tobacco. However, as of late 1974 Canada imposed sanitation and quota restrictions on imports of certain livestock and livestock products, including slaughter cattle and beef. In November 1974, Canada's quota restrictions on these products prompted the United States to impose a quota system of its own on imports of beef cattle, beef, veal, hogs, and pork from Canada.

Canada has also introduced import quotas (based on minimum Canadian prices) for turkey meat. There were also indications in 1974 that Canada may be headed toward the enactment of trade measures which could put constraints on the across-the-border movement of horticultural crops and their preparations.

The Importance of Foreign Trade to Canadian Agriculture; Canada's Stake in Trade Liberalization

In the past two decades, Canadian farm receipts from exports have generally risen faster than receipts from domestic sales (4). Normally, agricultural exports provide about one-third of gross farm income in Canada, compared with approximately one-sixth in the United States. In most years since the late 1960's, exports have accounted for roughly 75 percent of commercial sales of wheat, 85 percent of flaxseed sales, 60 percent of rapeseed, and 25 percent of barley (40 percent in 1970 and 1971). The share of money earned from exports has approached 20 percent for apples and cheese and has been around 5 percent for hogs (4).

Even with such a large share of production going into export markets, Canadian agriculture is producing well below its potential capacity (4). Except for anticipated long-term increases in per capita consumption of meat, fruits, and vegetables, expansion of the domestic market for the direct consumption of farm commodities is restricted almost exclusively to population increases. 6/

Thus, foreign trade is regarded by many as the key to continued agricultural growth and greater utilization of the nation's agricultural resources (31). This attitude, prevalent primarily in the West, is at times referred to as the "outward looking" approach. Proponents of the outward approach argue that Canada should produce for the world at large and should seek out and develop new foreign markets. World trade is essential to Canadian agriculture if Canada is to reinforce the trend toward diversification of agricultural production and the establishment of a truly market-oriented type of agriculture.

6/ Canada's population was estimated at 22,446,000 on July 1, 1974. It may reach 25 million by 1980.

Supporters of the opposite view, or "inward looking" approach, maintain that export markets should be regarded as secondary outlets and that their impact on domestic prices should be minimized (31). This attitude is (or was) more prevalent in the East and among producers of commodities other than grain and oilseeds. Advocates of the inward looking approach contend that since the domestic demand for food is inelastic, control of production through supply-management techniques can raise returns to producers, stabilize farm incomes and thereby greatly reduce, if not eliminate, exposure of Canadian farmers to the vagaries of world markets.

This line of thought provided support for the enactment of the Farm Products Marketing Agencies Act of 1972, designed to permit the creation of national agencies to administer supply-management types of programs for a number of commodities (see pp. 39-40). But even these essentially inward-looking programs provide for setting up and carrying out export development activities.

By and large, the Federal and Provincial governments and the most important sectors of Canadian agriculture have opted for the outward approach.

In addition to strengthening marketing and sales development programs--which are aimed primarily to the foreign commercial sectors--Canada is also seeking to win a greater degree of trade liberalization from foreign governments, in order to improve export opportunities for Canadian farm products.

Canada shares with the United States an interest in gaining entry into foreign markets with as little interference from foreign governments as possible, and in seeking liberalization of policies that regulate access into major markets such as the EC.

Canada also shares a concern with the United States over subsidized or otherwise protected competition and its disruptive impact on international trade--as in cases when protected or subsidized production not only keeps out imports, but also generates surpluses, which are then sold to third markets with the aid of export subsidies.

Canada, like many other countries, does provide some direct or indirect export subsidies of its own for commodities such as grain, nonfat dry milk, and tobacco. Canada also has various internal-market protective measures for some products including grain, livestock and livestock products, poultry meat, fruits, vegetables, and tobacco, and provides some direct or indirect production subsidies, especially to livestock farmers.

However, together with the United States, the EC, and Japan, Canada is engaged in a general round of trade negotiations under the GATT to try to reach an agreement on the mutual reduction or removal of trade impediments of this type.

Understandably enough, Canada's general position is that Canadian price supports, subsidies, and import restrictions are not excessive in comparison with those of its competitors.

Nevertheless, Canada also recognizes that there is a need to reexamine or eliminate some of the Canadian obstacles to trade. By and large, Canadian farm policy makers believe that on balance freer agricultural trade is in Canada's overall interest and that much of Canadian agriculture can compete openly and fairly in export markets (4), (28).

According to research by the Canadian Department of Agriculture, Canadian farmers have a good competitive advantage in 11 out of 16 major commodities, and an average competitive advantage for 3 more. Barley, rye, rapeseed, wheat, oats, corn, soybeans,

cattle, hogs, potatoes, and tobacco are in strong competitive positions; flaxseed, milk, and apples are in an average position; broilers and turkeys are in a weak position 1/ (4).

In general, the new export promotion programs are geared to emphasize those products in which Canada has an above-average competitive advantage.

EXPORT PROMOTION AND FOREIGN MARKET DEVELOPMENT PROGRAMS

Scope and Changing Aspects of Canadian Farm Exports Promotion

Foreign market development received relatively little attention in Canada until about a decade ago. Wheat was the only important farm export and its position in world markets was considered virtually unassailable. Most other farm exports--none of which accounted for 5 percent of the total value until the late 1960's--found ready and easily accessible outlets in the United States, the United Kingdom, and other West European countries. Entry into the U.K. market was facilitated by the preferential tariffs then granted to Canada as a member of the Commonwealth.

Canadian Hard Spring Wheat, which accounts for most Canadian wheat exports, had long set international standards of wheat quality because of its high protein content and exacting quality controls. It was a unique product whose distinct milling characteristics made it an indispensable and major component of bread manufacturing in the United Kingdom and other European countries.

In addition to being apparently assured of the U.K. and European markets, Canada had also become a steady and large exporter of wheat to Japan and the P.R.C and, in some years, a large supplier to the Soviet Union. Commercial sales to the developing countries were still small, but the long-term potential for expanding such sales appeared promising.

In the early 1960's, it was generally believed that Canada would have no difficulty in exporting all the wheat it could produce. There was then little or no need to conduct large-scale promotional efforts to improve the competitive position of Canadian wheat among millers in foreign markets, let alone to create a demand for Canadian products at the consumer level.

In those earlier years, occasional surpluses were considered part of normal market fluctuations. Carrying relatively large stocks in periods of surplus was considered a sound marketing practice that would permit continuity of supplies in periods of shortages and keep prices high in times of surplus (5). Market research and development had not been given high priority.

However, from about the mid-1960's, the position of Canadian wheat in the United Kingdom and other European markets began to be seriously threatened by several factors, including: (1) new breadmaking techniques, which significantly changed the market's requirements for wheat; (2) the EC grain policy, which encouraged expansion of local production, restricted imports, and created surpluses of some types of wheat; and (3) the prospect of the United Kingdom's entry into the EC, which finally occurred on January 1, 1973.

In the United Kingdom and other countries of Western Europe, imported high-protein hard wheat is blended with local soft wheat to obtain a satisfactory blend for

1/ In identifying commodities where Canada has trade advantages, a comparison was made of average Canadian farm prices for 1966-70 with prices received by farmers in other major producing and trading countries. An average competitive position is defined as one in which average prices received by the Canadian producer are not much higher than the lowest price received by farmers in other countries. Direct and indirect subsidies were taken into account in making the comparison.

breadmaking. The new Chorleywood Baking Process and other baking techniques that were introduced in the early 1960's (and have become increasingly common since then) allow for a much larger proportion of soft wheat in the flour mixture for bread manufacturing.

In addition to substantially reducing the need for high-protein hard wheat, and consequently Canadian wheat, the new baking techniques required that the protein level of the hard wheat in the flour blend be closely controlled (5). Australia, the United States, and the Soviet Union began offering hard wheat with guaranteed minimum protein levels in the mid-1960's, but Canada did not start segregating its wheat by protein levels until August 1971. Furthermore, wheat from the countries that were already guaranteeing minimum protein levels was being offered at very competitive prices.

Canadian wheat had commanded a premium in world markets when the high level of protein content was the main requirement; but when close tolerance of the protein level became essential, millers in the United Kingdom and on the Continent were no longer willing to pay a premium for Canadian wheat, whose protein level varied from shipment to shipment. As a result, Canadian sales declined in the United Kingdom and in the original EC countries (France, West Germany, Italy, Netherlands, Belgium, and Luxembourg). Canada's share of the European durum wheat market also decreased, again partly because of a decline in the relative quality of Canadian durum.

Occasional large sales to the Soviet Union and, since 1961, steady and fairly sizable exports to the PRC partly compensated for the missed opportunities in Europe. But since the size of these sales was determined (and continues to be determined) primarily by weather and crop conditions in those two countries, Canadians thought that the large wheat sales to the PRC and the USSR were not likely to continue for too many years and that long-term prospects remained at best uncertain.

The general Canadian thinking concerning long-term prospects in these Communist markets remains basically unchanged. Furthermore, Canadians fear that their wheat may face greater competition from the United States as a result of improved U.S. relations with those countries.

Exports to the developing countries had shown some increase and the potential for further expansion continued to be recognized, but an increase in commercial sales was still hindered by persistent foreign exchange shortages in these countries. Long-term prospects for expanding commercial exports to the developing countries were also made uncertain by the successful introduction of the high-yielding wheat varieties and the increased drive for self-sufficiency in many countries.

Thus, at the very start of the 1970's, market conditions and prospects for wheat exports--and, therefore, for much of Canadian agricultural exports--contrasted sharply with the situation and expectations of the early 1960's. By the early 1970's, it seemed indisputable that unless corrective measures were taken, Canadian wheat supplies would be chronically in excess of effective world demand. And while world wheat imports were expected to grow relatively little in the long run, competition from other countries was anticipated to be even stronger than in the second half of the 1960's.

Since it was felt that wheat production could not be allowed to go unchecked, major changes in farm policies were required to find profitable alternatives to wheat and to make farm production more market oriented. Canada's entire approach to foreign marketing and foreign market development began to be reassessed.

First of all, it became necessary to identify and anticipate international demand for commodities other than wheat which Canada could produce efficiently--even though there was no doubt that wheat would remain by far the most important farm export. As already noted, the Government began to encourage a switch in production away from wheat and toward feed grains and oilseeds.

Barley and rapeseed were then (and still are) the only major feed grain and oilseed suited for large-scale production in Canada and with a reasonable chance of success in world markets. (But research to find new crops that can provide farmers with returns comparable to wheat profits continues. In July 1973, the Government announced that it would put up C$1 million to launch a New Crop Development Fund, which will be used to develop new crops, adapt new varieties to farm growing conditions, and develop new protein sources (28). Considerable efforts have also been devoted to developing a profitable utility wheat that can be used as a substitute for corn.)

Having recognized that for the time being, the most important Canadian farm exports would be wheat, barley, and rapeseed, the Government was confronted with having to promote sales of products which had a high degree of substitution. Neither barley nor rapeseed is the recognized standard ingredient in animal rations. Corn is generally preferred to barley as a grain, and soybeans have long enjoyed greater acceptance than rapeseed as a protein supplement. Canadian wheat had lost much of its quality advantages and was no longer considered an "indispensable" product. For instance, research findings released in 1973 indicate that in the U.K. market, consumers would accept bread that did not contain Canadian hard wheat. It is reported that the gluten may be separated from the starch in wheat grown in the United Kingdom and then mixed with flour from local wheat. The bread is said to be similar to the one containing a high amount of Canadian wheat (35).

The Government decided to introduce a continuing program to support specific market development activities for grains and oilseeds (7) and, in fact, to provide all the financial resources deemed necessary to assure a successful outcome.

It is believed that after deciding to give virtually all-out financial support to the promotion of grain and oilseed exports, the government was left with no other realistic alternative but to greatly increase its financial support of export promotion of other farm products.

There were other compelling reasons for strengthening export-promotion programs for all Canadian farm products. As Canada's position in world wheat trade deteriorated, concern was growing over prospects for other farm exports, since most of them would also be adversely affected by EC restrictions and the United Kingdom entry into that organization. In addition, promotional efforts by other countries were being stepped up in Europe, also to partly offset the impact of EC trade barriers.

It was generally felt by the Canadians that they had to try to match their competitors market development efforts. This would not be done by trying to match the money and resources Canada's competitors were putting into market development, but through selective promotional work.

The need to extend the export promotion program to products other than grains and oilseeds was as pressing in the Japanese market as it was in Europe--and for more reasons than just trying to meet the competitive challenge created by sales promotion activities of other suppliers.

In the late 1960's, Japanese restrictions on imports of rapeseed were perhaps the major potential obstacle to the expansion of Canadian exports to Japan (aside from competition from soybeans). There were also trade or sanitary restrictions on other potential Canadian exports to Japan--most notably pork and apples.

Also, Japan was regarded as the major future export outlet for some of the crops that Canada might grow as an alternative to wheat, such as alfalfa and horsebeans. Developing these crops and opening up a foreign market for them would also require government support.

Finally, it was felt that by increasing financial assistance to all farm exports the Government might provide some incentive to expand processing industries at home, which would benefit the entire agribusiness sector.

In 1971, the Government set up a cost-sharing Market Development Fund with allocation by the Federal Government of up to C$10 million per year. Although focusing on grains and oilseeds, the fund will be available to promote exports of all other farm commodities. Guidelines for the operation of the grain and oilseed programs were announced in early 1972; those for the operation of the other programs in mid-1973.

The fund appears destined to become the pivot of the Federal Government's new promotional programs. It will support programs of private associations and firms, provincial governments and quasi-government organizations. The establishment of the Market Development Fund, although a major manifestation of the new Canadian interest in foreign market development, is by no means the only expression of it. Provincial governments and numerous other organizations have also decided to strengthen their market development programs or to initiate new ones. In fact, the impetus for the central government's expanded market development program came largely from provincial governments.

The successful operation of the fund is inextricably tied with the activities of other organizations, since the fund operates on a cost-sharing basis and the initiative for virtually all individual projects rests with organizations other than the central government.

Through most of the 1960's, direct expenditures for export promotion by all governmental and private agencies were an estimated $1.0-$1.5 million per year (28). Trade fairs featuring mostly processed products and trade missions were virtually the only promotional activities financed by the Federal Government. There were no direct expenditures by the central government for sales promotion of grains and oilseeds.

The details of the new programs and the new approach to export promotion are discussed in the next three chapters, but it should be pointed out here that the programs are not necessarily new in concept. They are new primarily in the sense that: (1) they represent a departure from previous Canadian attitudes; (2) they involve greater financial and technical participation by the Federal and Provincial Governments; and (3) they signal a stronger determination to maintain and expand Canada's share of world exports.

However, some institutions for implementing the new programs, such as the Grains Institute (see pp.34-35), are uniquely Canadian, and some of the ways to promote export business are not very common in other countries. For instance, a Provincial government may on rare occasions act as export agent for the producer, actually taking title to the goods before they are sold to the importer.

Essentially, the new attitude for future export development programs is that whatever the product, Canada must anticipate, and where necessary create, as well as maintain, the demand for it--at all levels of the distribution system, down to the consumer. This is a cooperative effort that involves not only exporters and all levels of government, but also producers, processors, and research organizations (28).

At present, however, Canadian efforts are oriented primarily toward new product research and penetration of markets through work with millers, research and nutrition specialists, rather than consumer-directed promotion.

The Government action to promote exports is not limited to the purely marketing aspects of the program, but branches out into related areas such as expanding the export credit program, and financing the improvement and expansion of grain handling and transportation facilities.

The Institutional Framework

A complex of Federal, Provincial, quasi-government (both Federal and Provincial), and private agencies are involved in various degrees in the promotion of agricultural exports. Some of the organizations, such as the Grains Institute and the Canada Grains Council, are of recent origin and were established for the specific purpose of market development. Others have been in existence for a longer time and have strengthened their old programs or have branched out from domestic market development into export promotion.

At the federal level, the Department of Industry, Trade and Commerce (IT&C) is the primary agency for trade promotion. Formerly, this agency was responsible only for programs on commodities other than grains and oilseeds, but it is now charged with most of the administration of the Market Development Fund. In general, the role of the Canadian Department of Agriculture is one of support and technical assistance.

A good part of the promotional activity of the Provincial governments is in support of local marketing boards and other organizations. In some cases, for instance in Manitoba, the major market promotion effort has been aimed at the export rather than the domestic market.

The Wheat Board has traditionally played, and continues to play, a leading role in the promotion of grain exports. Some of the Board's activities are now interrelated with those of the Grains Institute and the Grains Marketing Office in IT&C; and they are supported, at least indirectly, by the promotion efforts of the Canada Grains Council.

The private associations generally work in cooperation with either the Federal or Provincial governments, or both. The future promotional work of private organizations will be enhanced by the financial aid available through the Market Development Fund. The Rapeseed Association of Canada is undoubtedly the private group with the largest and most active export program of its own.

The following chapter describes the agencies of the Federal Government engaged in export promotion and reviews the Government's major market development programs. It also discusses the operations of the quasi-government organizations, both national and interprovincial.

The next two chapters deal with the programs of the Provincial governments and those of other groups. Generally these chapters focus on newly started export promotion programs or on those that have been expanded in the past 2 or 3 years.

PROGRAMS OF THE FEDERAL GOVERNMENT AND QUASI-GOVERNMENT NATIONAL AND INTERPROVINCIAL ORGANIZATIONS

Department of Industry, Trade and Commerce

IT&C handles an estimated 95 percent of the Federal Government's expenditures on market development for agricultural commodities (28). Its programs for farm exports can be grouped into three broad categories: (1) The Market Development Fund for Agricultural Products; (2) national trade fairs, missions, and other traditional export services; and (3) the Program for Export Market Development.

Until 1971, export promotion programs for farm products were initiated and operated directly by IT&C. Essentially, the program was limited to including agricultural products in nationally financed trade fairs, exhibits, and missions. These activities were, and remain, industrywide in scope, seeking to benefit an entire sector of the economy and all firms operating within that sector.

In 1971, IT&C introduced a supplementary program to support export promotion activities initiated by individual firms or groups seeking to promote only their own products. This program, officially known as the Program for Export Market Development, is concerned primarily with nonagricultural products, but firms dealing in farm commodities also stand to benefit from it.

IT&C's role in the promotion of agricultural exports was expanded manyfold in 1972, when it was charged with overall administration of the Market Development Fund for Agricultural Products.

Market Development Fund for Agricultural Products

As previously noted, the fund is by far the most important program for farm export promotion and the major manifestation of the Government's new policy to step up foreign demand for Canadian farm products. It is a cost-sharing program with an annual allocation by the Federal Government of up to C$10 million. However, each project must be approved and funded individually, and actual appropriations may fall short of allocations as in years when international demand is strong and domestic supplies are relatively tight.

Establishment of the fund was decided in a time of world grain surpluses and sagging markets, and the fund is essentially designed to operate in years when world demand is not strong. Part of its purpose is to narrow the gap with the export promotion activities of competitors, especially the United States. In the numerous discussions that led to the fund's establishment, repeated references were made to U.S. promotional activities, contrasting them to what many Canadians seemed to regard as lack of Canadian initiative.

The fund's financial aid will assist projects, particularly those in the private sector, that would not otherwise be carried out or that could be done only on a small scale. The program will provide guidance and support in all phases of market development and will coordinate services offered by the Federal Government, but the primary responsibility for developing and carrying out any given project rests with the private sector, or with the organization charged with exporting the product involved--for example, the Wheat Board (7).

Assistance is open to companies, agencies, industry associations, universities, institutes, and similar entities. Market development and feasibility projects are the two main types of projects eligible for assistance. Projects designed to establish in Canada the capability necessary to conduct feasibility or market development projects are also eligible for assistance, but they must have a potential for becoming self-sustaining on the basis of revenue from the private sector (7).

A market development project is concerned with expansion of existing markets or penetration of new markets for existing products and encompasses activities in the field of promotion, transportation, processing and distribution facilities. Product/process development projects encompass new or improved products and new or improved processes which can lead to increased sales. Such projects must be capable of ultimate commercial viability (7).

Feasibility projects involve market definition, determination of technical feasibility for new products or processes, and determination of the commercial feasibility of penetrating a market for new or existing products and new or existing processes.

The general guidelines described above apply to all products and enterprises eligible for assistance from the Market Development Fund but the scope of the program varies depending on the type of the product involved. Emphasis is on promotion of grains, oilseeds, and their products.

The fund's support is allocated to two programs: a Grains and Oilseeds Market Incentive Program, with allocations of up to C$7 million per year, and a program for all other products, the Agricultural and Food Products Market Development Assistance Program, with allocations of up to C$3 million per year (7). The program for grains and oilseeds was put in effect in January 1972; that for other agricultural products in June 1973.

Grains and Oilseeds Marketing Incentive Program--Although there is no export target incorporated in the grains and oilseeds program, it is a recurring theme in Canadian agricultural circles, that to maintain a healthy agricultural economy, exports of grains and oilseeds must expand to an annual level of 1 billion bushels within the next few years. However, it is also recognized that an increasingly large share of Canada's grain and oilseed production must be exported in processed form, and that a larger portion of the grain and oilcake output should be transformed into livestock products at home in order to increase the value of farm exports and reduce meat imports.

The general guidelines for the grains and oilseeds program are that for wheat, emphasis is on technical promotion and product development in industrialized countries and on investment in processing and handling facilities in developing countries. For feed grains, the aim is to direct the major part of the promotional effort to developed countries, concentrating on technical promotion and stressing the feeding value of Canadian grains. For oilseeds, attention is to be given to the improvement, utilization, and processing of existing products, and to the encouragement of increased investment in processing and handling facilities in developed countries and possibly in selected developing nations. For new products, initial emphasis is to be on identification of market potential and product design (7).

The nature and extent of assistance provided under the grains and oilseeds program depend on the specifics of a project and the requirements of the applicant. This can take the form of contributions, insurance, or loans (7). In general, the program encourages market development activity which is action-oriented with a minimum of administrative and overhead elements. Projects must be compatible with the Government's trade, marketing, agricultural, and industrial policy objectives.

The degree to which the Government will support a project is related to the probable contribution of that project to the sustained increase in grain and oilseed exports. The limit of government support available to any project will be that necessary to enable it to proceed. The basic criterion of project approval is the increment of sales resulting relative to cost to the Government (7).

So far, the grains and oilseeds program appears to have emphasized identification of export opportunities, plant breeding, improvement of production techniques, product development, technical promotion, and establishment of handling and processing facilities overseas.

Projects that are already underway are described elsewhere in this report, generally under the headings dealing with the organization with the operational responsibility for the project. Some of the projects receiving financial aid from the fund are: Research to develop feed wheat varieties which can compete with corn from the economic as well as the nutritional standpoint (p. 32); feeding trials in Korea utilizing barley (p. 36), and rapeseed (p. 57); establishment of a C$4 million pilot oilseed research center (p. 52); overseas seminars on rapeseed, and incoming oilseed missions (p. 57); milling facilities in Venezuela (p. 73); construction of grain silos in Brazil (p. 44); and establishment of the Grains Institute (p. 34).

For the longer run, one of the objectives of the fund is to mount well integrated and coordinated campaigns for barley, feed, wheat, and rapeseed in key markets such as Japan and Western Europe. In Europe, special attention would be devoted to the Italian market for barley and rapeseed. These programs are to include market testing of products, feeding trials, exchange of technical details, and arrangement of technical seminars abroad (33).

It is argued that, as the activities financed through the fund expand, Canada must become more active in developing the livestock and poultry sectors in various parts of the world in order to encourage the use of Canadian feedstuffs.

It is often pointed out that American-owned or controlled feed mills have been instrumental in creating the demand for and expanding the use of American feedstuff in numerous countries, and it is suggested that Canada should consider establishing Canadian-owned or operated feed mills in selected foreign countries (10).

It is also suggested that Canada must initiate animal nutrition programs in appropriate countries, assigning specialists to foreign universities, extension, and research centers; supporting student research assistantships in animal science (11); and making available technicians who can help poultry and livestock producers and can demonstrate the nutritional and economic value of Canadian barley, oats, and feed wheat relative to corn (1).

Undoubtedly, this type of activity, including the involvement in foreign milling operations, will increasingly come under the scope of the grains and oilseeds program (4). In the future, Canada may also provide its overseas customers with experts at all levels of the distribution system--down to home economics specialists and nutritionists, in order to demonstrate the advantages of using the Canadian product (1).

Agricultural and Food Products Market Development Assistance Program--This program, which receives Federal allocations of up to C$3 million per year, is designed to promote improved marketing of Canadian agricultural products other than grains and oilseeds. It complements existing efforts in IT&C to increase the use of raw and processed agricultural products (7).

The Agricultural and Food Products Market Development Assistance Program is administered jointly by IT&C and the Department of Agriculture. Projects relating to export market development are handled within IT&C, while the Department of Agriculture handles those relating to the domestic market (7).

The amount of Government support available to any project is limited to the minimum necessary to enable it to proceed. A limit on the Government's contribution is established at the time of approval of a project (7). The nature and extent of financial assistance depend upon the particular project requirements, but in general consist of recoverable and nonrecoverable contributions (7).

Nonrecoverable contributions are accountable grants to enable the undertaking of projects which have no immediate prospect of commercial return, but are expected to lead to the development of commercially attractive projects. Recoverable contributions are intended to lessen the burden of risk and to overcome psychological barriers. These contributions are repayable out of sales from successfully completed project, but no repayment is due if the project is unsuccessful (7).

The basic criterion employed to establish whether any given project will receive support is the contribution the project is expected to make to sustained growth of producers' net income, either regionally or nationally. Labor value-added is also an important factor (7). It must also be demonstrated that a project will encourage the agricultural sector in each region of Canada to develop those kinds of products for which

its resources and location make it most efficient, in terms of its competitiveness in domestic and international markets. The project must also facilitate and foster the development of markets, particularly export markets, as a means of stimulating sound expansion of the entire agricultural industry (7).

So far, only relatively small expenditures have been reported under this program. One 1973 project involved promotion of Canadian apples in the United Kingdom (see p. 70).

Trade Fairs and Missions and Other Traditional Programs of IT&C

These activities are essentially similar to those of most government agencies charged with export promotion in any other country. In addition to organizing and managing national participation in trade fairs and exhibits abroad, as well as outgoing and incoming missions, traditional activities of IT&C for market development assistance include providing services in market analysis, trade regulations, commercial intelligence, publicity, and assistance by trade representatives stationed abroad.

IT&C also has responsibility for the development of external trade policies, including participation in the negotiation of international commercial agreements.

Trade Fairs and Missions--Roughly 15 percent of the trade fairs and missions are devoted primarily or exclusively to farm products. They take up to perhaps 5 percent of total budget for fairs and missions.

The Canadian solo trade exhibit held in Peking in August-September 1972 was the largest trade fair ever mounted by Canada abroad. Agreement to hold the fair was reached in June 1971 when Canada's Minister of Industry, Trade and Commerce headed Canada's first economic mission to the PRC.

More than 200 companies from all sectors of the economy participated; nearly 600 Canadians were present. The fair occupied 200,000 square feet of space and cost C$3 million, which was shared between the Government and exhibitors. On-site sales were estimated at C$25 million. Among the agricultural exhibitors were the Canadian Wheat Board, the Rapeseed Association of Canada, the Canada Grains Council, the Canadian Grain Commission, the Canadian Seed Growers Association, and other agricultural organizations and firms representing the livestock, poultry, and tobacco sectors (28), (33). A five-man agricultural group outlined Canada's selling methods, milling capabilities, oilseed potential, grading system, and productive abilities (28).

The Canadian Secretary for External Affairs went to the PRC for the opening ceremonies. During his visit, Premier Chou En Lai stated that Canada could count on the PRC as a long-term customer for its wheat, provided that prices were competitive (28).

According to IT&C, considerable interest was shown in animal breeding stock. An agreement to exchange seed varieties was reached with the Chinese test and research organizations. The PRC is to conduct experiments with some Canadian strains of seeds in the North China grassland area and in the region around Peking.

After the fair, the Canadian Seed Growers Association reported that a sizable market for grass, legume, and grain seed could be developed in China (28), (33).

Fairs have been the major medium of developing trade with the PRC. Each year, four countries are invited to stage displays at the Exhibition Center in Peking. These fairs are attended by representatives of PRC's foreign trade corporations and representatives of other sectors of the Chinese economy (28).

Canada's 1972 trade exhibit in Peking attracted thousands of visitors. Trade fairs have been a major medium for developing trade with the People's Republic of China. (Photo courtesy of Information Canada)

Canadians also participate in the Kwangchow (formerly Canton) Fair which is held twice a year (April 15-May 15 and October 15-November 15). Here, Canadian participation has been mostly by private groups or firms. It is reported that contracts signed at the Kwangchow fairs account for about one-third of China's annual import-export trade (30).

IT&C has also mounted meat promotion exhibits in various parts of Japan and solo exhibits featuring processed foods, including chilled beef products, frozen, canned or otherwise processed meats, and frozen vegetables. These exhibits were often followed by in-store supermarket promotion to give broader exposure to Canadian foods and beverages of limited distribution in Japan. In all, there have been about 25 Canadian promotional efforts of this type in Japan in the past few years (7), (30).

Occasionally, IT&C has organized sea-going food fairs to introduce Canadian food products td hotels, restaurants, and institutions in various parts of the Caribbean (28).

Trade missions sponsored by IT&C in the past few years include a tobacco mission to Latin America and a technical apple mission to New Zealand, Australia, and Japan.

A February 1972 agribusiness and livestock mission to the USSR reported that exports of cattle, particularly Holstein and Hereford breeds, could result from that visit. Later that year, the USSR bought 900 head of Hereford from Canada, 650 dairy Holsteins, and a smaller number of Aberdeen Angus.

In January 1972, agricultural representatives participated in the largest market development mission ever to visit Japan from Canada. Their principal task was to identify Japanese trade barriers against Canadian products (28). One result was that Japan agreed that experts from both countries would hold meetings to try to eliminate sanitary hindrances encountered by Canadian poultry because of salmonella and Canadian apples because of codling moth (28).

Some recent agricultural trade missions involving IT&C are: an incoming mission of Japanese livestock specialists, a livestock mission from various countries in Africa, a seed potato mission from Morocco and Egypt, a meat mission from Italy, a pulses mission to Western Europe, and a leaf tobacco mission to the PRC and Japan.

As a result of cost-benefit studies of the entire trade mission program, IT&C has decided to reduce the number of outgoing missions and increase the number of invited incoming missions (28). In general, incoming missions have tended to produce more immediate tangible results than outgoing missions (17).

Other Services--The Trade Commissioner Service maintains about 80 offices in more than 50 countries abroad. The Canadian Trade Commissioner in general combines the functions of the U.S. commercial and agricultural attaches. There are, however, a number of trade commissioners who specialize in agriculture, and all members of the service receive training in agricultural promotion. The number of agricultural specialists has been expanding gradually. An Agricultural Secretary to promote sales in Japan was appointed in 1970. Under a relatively new program, a number of officials from the Department of Agriculture are attached to the Trade Commissioner Service for periods of 2 to 3 years.

Support services provided by the trade commissioners to individual companies trying to introduce their products to new markets range from help in determining a product's sales potential, to holding a reception to introduce a new sales representative, to making available temporary office space, showroom, and secretarial help.

In 1973, IT&C held a series of marketing seminars in nine cities across Canada to publicize export opportunities for a wide range of products. Trade commissioners from 50 posts participated. Of 14 seminars held, 4 were devoted to agriculture and food products (28).

Published material is an integral part of IT&C special and ongoing trade promotion activities. Booklets and brochures on a variety of Canadian products are published in a number of foreign languages as well as English. Canada Commerce, a monthly magazine issued in both English and French, is directed primarily to Canadian exporters. It provides information on business opportunities, international market conditions, and terms of access. Canada Courier, published 28 times a year in a number of languages, including Japanese, is aimed primarily at foreign importers and seeks to give international market exposure to Canadian products (6).

Program for Export Market Development

Initiated in 1971 and expanded since then, this is an incentive program designed essentially to assist small companies which do not have the capacity to seek world markets on their own. The program is entirely industry-initiated, with IT&C responding to the initiatives of the interested firms. IT&C advances part of the money needed to mount a new sales campaign in a new market. IT&C normally contributes 50 percent of eligible costs incurred, up to a maximum of C$50,000 to an individual applicant. Since the program deals with individual firms, rather than whole sectors of the economy, money advanced by IT&C must be repaid, to avoid subsidizing exports of individual companies. However, repayment is waived if the company is not successful in obtaining the export business.

The program, informally known as the alphabet program, consists of four different sections: Section A--participation in capital projects abroad; section B--market identification and market adjustment; section C--participation in trade fairs abroad; and section D--incoming foreign buyers.

Section A is concerned mostly with capital goods and industrial services. Virtually no farm goods are involved.

The market identification portion of section B seeks to help companies that are aware of an opportunity in a foreign market, but are unable to make definite selling plans because they find that the necessary preliminary market research studies are too costly.

Section B's market adjustment portion covers the initial adaptation of a firm's marketing methods to special and unfamiliar requirements of a new market. Examples are such things as translation of sales literature, provision of technical advise, establishment of after-sales service, and unusual product demonstration requirements. The market identification and adjustment incentive is applicable to all foreign markets other than the United States.

Applications involving more than one company or trade associations are eligible. (Where trade associations are involved for generic promotion, repayment of IT&C advances can be waived). Agents or trading companies acting on behalf of small companies are also eligible.

Although section B does not handle grains and oilseeds, about 15 percent of all applications for assistance under this section have been for agricultural products, both raw and processed. In the first 2 years of operation, the entire section B program, including nonagricultural products, generated about C$13 million of new business, with a ratio of C$112 of new business for every dollar of Government expenditure. To be eligible for assistance, a project has to be considered capable of generating C$40 of business to Canada for each dollar spent by the Government.

Section C became operative in April 1972 and is designed to assist companies to go into high risk areas. It enables firms, singly or in groups, to participate in fairs at which IT&C does not sponsor a national exhibit, thus complementing the established

Brochures on a variety of Canadian agricultural products, published in foreign languages as well as English, are an important part of Canada's trade promotion activities.

program of Government-sponsored fairs. Applications from traders in agricultural products have been few. Some cattle sales are known to have been made through this program.

Section D (incoming buyers), reportedly, has been operating at a rather slow pace and no great increase in activity is anticipated, probably because of the expansion of IT&C's regular program for incoming trade missions.

The Canadian Wheat Board

A crown corporation and one of the world's largest grain exporting agencies, the Canadian Wheat Board controls the foreign marketing of wheat, oats, and barley grown in the Prairie Provinces and in the Peace River Valley of British Columbia. Most sales, except government-to-government, are handled by private traders who are agents of the Board. The Wheat Board has authority to acquire, transport, and dispose of the grain and to utilize any privately owned agencies or facilities that are considered necessary to export the grain (28).

The accumulation of wheat stocks, which occurred in the second half of the 1960's and created a situation of huge surpluses through 1971/72, had assumed crisis proportions by 1969. Since that year, the Wheat Board has steadily intensified its involvement in market promotion and development. Also, in 1969, the Federal Government introduced an Expanded Credit Program designed to increase sales of wheat to the developing countries (see pp. 40-42). The major responsibility for administering this program has been gradually turned over to the Wheat Board.

Considerable assistance to the Wheat Board's market promotion activities has come from the establishment of IT&C's Market Development Fund. For instance, the operational expenses of the Canadian International Grains Institute, a major new effort in sales development, are paid 40 percent by the Wheat Board and 60 percent by the Market Development Fund (see p. 34).

Until the fund was set up, market development activities of the Wheat Board were financed entirely from its own resources and with funds in a special account consisting of money owed to farmers, but still unclaimed by them.

Because of the past composition of Canadian grain production, the Wheat Board had concentrated on promoting exports of bread wheats. But the Board was, of course, aware that fewer than 50 persons or organizations made the buying decisions for approximately 95 percent of all the bread wheat traded internationally (5). The Board's sales promotion effort was directed primarily, if not exclusively, to this group, rather than to end-users.

The growing potential for the feed grain market, the long-term need to keep production of bread wheat within bounds, and the recognition that Canada supplies only about one-twentieth of world feed grain exports have provided the incentive to launch new programs for utility (feed) wheat and other feed grain. The Board has also turned its attention to the promotion of durum wheat.

Canadian experts feel that an identifiable feed wheat could be used to replace corn in poultry rations in areas which already have an advanced technology for broiler and layer production. Such feed wheat could also help introduce the new technology to those regions of the world still unaffected by it (10).

Canadian observers of the feed grain market in Southeast Asia report that under present market conditions and in the foreseeable future, a reliable Canadian feed wheat could be marketed more easily than Canadian barley. This is largely because the live-

stock sector of Southeast Asia, which is dominated by chicken and hog production, already uses some feed wheat, but has an almost complete lack of familiarity with barley as a feed (13).

The Wheat Board has currently underway a market development program for two varieties of utility wheat--Glenlea and Pitic 62. Part of the financing is provided by the Market Development Fund. Glenlea and Pitic 62 are being tested in Canada, the United Kingdom, Japan, the Philippines, Barbados, Trinidad, and Jamaica to demonstrate their value as feed grains, particularly in relation to corn, and to determine their potential as fillers for breadmaking in Europe and noodle manufacturing in Asia. Although Glenlea and Pitic 62 are classified as utility wheat, their potential for food may even be greater than their potential for feed (40).

Existing varieties of Canadian Hard Spring Wheat could replace corn in most feed formulations, but their price is not competitive with that of corn (40). The feeding value of Pitic 62 and Glenlea appears to be equal to that of Canadian Western Red Spring No. 1. The aim is to develop varieties of utility wheat that can be priced competitively with corn, but for this, yields have to be high enough so that returns per acre to producers are at least about equal to returns from hard springs or barley (40).

Pitic 62 and Glenlea are higher yielding than most traditional Canadian utility and bread wheats. Apparently, under typical growing conditions on the farm, these new varieties would yield about 32 bushels per acre, which is roughly 20-25 percent higher than present average yields in Canada. Under experimental conditions, average yields of up to 73 bushels per acre have been obtained with Pitic 62. For Glenlea, yields of up to 62 bushels per acre have been reported, also under experimental growing conditions (35).

Pitic 62 was developed in Mexico and licensed in Canada in 1969. Glenlea, released in 1972, was developed by the University of Manitoba. The Wheat Board has been growing it under contract with interested farmers. In January 1974, the Wheat Board expanded the contract program in order to have sufficient supplies of Glenlea to begin marketing it on a commercial basis. At the start of 1974, under a limited marketing program, Glenlea was being offered for export as food wheat at over C$5 per bushel (40).

High-yielding, dual-purpose wheat is likely to be important in the Prairie cropping pattern by 1980. The 1969 Task Force Report on Canadian Agriculture envisioned a total of 20 million acres of wheat seeded in Canada in 1980, of which 8 million would be in high-yielding, dual-purpose (feed and food) wheat.

Currently, the Wheat Board is experimenting with other varieties which have not yet been licensed for commercial use. This part of the program includes an agreement with the University of Manitoba to multiply PFW 606A, a purple strain of wheat (33).

The Board has also been working on a feed grain marketing program specifically tailored to Japan (3), as it foresees that by 1977 Japan will have the potential to absorb more than 100 million bushels of Canadian barley and in excess of 50 million bushels of feed wheat (3).

A development program for dual-purpose wheat, similar in approach to the one undertaken in Canada for Pitic 62 and Glenlea, has been underway in Japan since 1973 (33).

In July 1974, a Japanese mission--consisting of members of the Japanese feed grain industry, whose firms or institutions are involved in testing in Japan the use of Canadian grain in animal rations--went to Western Canada to observe ways in which barley, oats, and utility wheat are used in practical livestock and poultry rations (28). Also, as part of the long-term program designed to encourage increased use of Canadian feed grains and compound feed in Japan, in November 1974 the Wheat Board sponsored, jointly with the Grain Marketing Office of IT&C, a high-level animal feeding symposium in Japan.

In durum wheat promotion, one of the new projects started by the Wheat Board is aimed at making Canada the leading supplier of high quality durum wheat. Work on the project started in 1969 when the Hercules variety was licensed. The immediate goal is to identify or develop varieties that grow well in the Prairies and can best satisfy consumer preferences in Europe, especially Italy. Through a series of tests, which included surveying the Italian community of Toronto, it was determined that the gluten strength of Hercules was not sufficiently high to meet the needs of the South European market. Consequently, the program was extended to include a number of other varieties, such as Wakooma, DT 332, and DT 900. Hercules now accounts for more than half of the durum wheat grown in the Canadian Prairies.

The Wheat Board reports that in connection with this market testing program for durum, new techniques have been developed to assess consumer reaction to wheat varieties that are still in the early stage of development. The Board has also gained a more detailed knowledge of milling and processing techniques in Europe.

In addition to the Wheat Board, many organizations are involved in this program, including universities, the Department of Agriculture, and the Grain Commission (40). At the Commission's research laboratory in Winnipeg, for instance, spaghetti is fed into a machine which bites into the cooked noodles, chews them, and relates data on their firmness, texture, and chewiness (33).

In the more traditional type of promotional activities, in 1972 the Board opened an office in Brussels, mainly to establish and maintain contacts with EC officials. The Board also maintains offices in London and Tokyo (28). The Tokyo office was expanded in 1972, in connection with the establishment of the feed grain program for Japan (3).

Overseas offices of the Wheat Board are primarily intelligence-gathering operations. They act as listening posts, feeding back to the main office in Winnipeg data on the market for Canadian grain. They are not directly engaged in sales operations.

In 1970, the Board expanded its market research and technical services and set up a Market Analysis and Development Division, which in 1972 was integrated with the Sales Division to form the Sales and Market Development Division (16). The market development group is manned by specialists that have responsibilities for a designated importing area (area desks), and by specialists for particular grains, as well as experts on matters such as milling, baking, and transportation (16).

The market development group is responsible for maintaining up-to-date knowledge on marketing conditions and outlook; assessing short-term sales potential, and recommending long-term market development programs; developing and maintaining contacts with buyers and other persons that influence purchasing decisions, as well as providing them with market information; and recommending and arranging both outgoing and incoming missions for market promotion and development (16). Most of these activities had been carried out by the Wheat Board, with various degrees of effectiveness, even before the establishment of this particular office.

Representatives of the Wheat Board visit about 30-70 countries each year. These are marketing teams, different from the selling missions, which are also sent out by the Board.

Each year, the Board distributes several thousand crop information packages. In 1971/72, some of this information was published for the first time in four different languages other than English and French (the two official Canadian languages): German, Italian, Japanese, and Spanish. Other promotional material is available in those same languages as well as in Russian, Chinese, and Dutch (16).

Some of the literature distributed by the Wheat Board is prepared by the Canadian Grain Commission (formerly Board of Grain Commissioners).

The Grain Commission supervises the grading and handling of grain in Canada, licenses elevator operators and grain dealers, is in charge of all grain inspection and weighing, compiles statistics, and conducts research in its Grain Research Laboratory.

In 1971/72, the Commission started a travel program designed to familiarize foreign buyers of Canadian wheat with the protein segregation techniques used in Canada (16). The Commission's "cargo bulletins," which report on the quality of the Canadian wheat shipped to overseas markets, also serve as a selling device (14), but normally the Commission does not engage in export promotion as such.

Canadian International Grains Institute

At the time of its inception, this organization was described by the Government as an unparalleled asset for Canada, since no such facility is provided elsewhere in the world. It was established in 1971 by the Canadian Wheat Board and the Canadian Grain Commission as an educational facility for the world grain and oilseed industries.

The Government provided C$1 million to cover initial capital costs and to equip the Institute. The Government also finances 60 percent of the operating costs out of the Market Development Fund. The Wheat Board has assumed the responsibility for the remaining 40 percent. Operating costs are estimated at between C$500,000 and C$750,000 per year.

The Institute offers practical and commercially oriented courses and seminars to foreign participants and to leading Canadians in the grain and oilseed sectors. Courses and seminars are offered on production, handling, inland and ocean transportation, and all other aspects of international marketing, with emphasis on the management, economics, and technology of grains and oilseeds. Actual work in milling, baking, and grading of the grain is included as part of the courses. The Institute does not intend to train specialists; rather it wants to provide specialists with a broad understanding of the world grain and oilseed industries.

The Institute is equipped with classroom facilities and teaching laboratories as well as facilities for demonstrating commercial milling and baking methods, feed formulation, and oilseed processing. It has a commercial-sized pilot flour mill (with a capacity of 9 tons per 24 hours and a minimum load capacity of 1 ton per 3 hours) which is used to demonstrate the latest milling techniques.

The Institute can accept up to 60 participants in each course, but does not plan to take more than 30 at any one time. The first course for international participants was given in the fall of 1973. This type of course has the highest priority in the work of the Institute, and is offered to existing and potential buyers of Canadian grain.

Participants are selected by the Canadian Wheat Board and the Institute. They are individuals who hold a position of influence in their country's decision-making process to purchase grain and oilseeds. All expenses are paid by the Institute. The courses are an expansion of the incoming mission program of the Wheat Board. The two programs will eventually be integrated. Courses may occasionally be given in customer countries.

The Institute will also offer courses for Canadian Trade Commissioners to familiarize them with international grain markets to enable them to better service Canadian overseas customers.

Other courses are for personnel in the Canadian grain industry. Special short courses are given to Canadian farm leaders and producers to provide them with a better understanding of the factors affecting the international marketing process. The first course for producers was given in March 1973. One for Canadian agricultural journalists was offered in April 1974 (33).

The Institute has prepared an extensive manual with background information on each subject area covered (33), (35).

Canada Grains Council

The Council was formed in 1969 at the request of the Federal Government. Its major objectives include: 1) to coordinate Canada's effort to improve its share of world markets for all grains and grain products; and 2) to examine ways and means by which to assist in the promotion of exports of Canadian grains and grain products and make recommendations to the Federal Government.

In mid-1974, the Council had a membership of 27 companies and organizations representing various farm groups, transportation and shipping interests, exporters, feed manufacturers and others with some ties to the agricultural sector (15). 8/ The Chairman of the Council is appointed by the Government, usually from among high-level executives of exporting firms (8). Financing of the Council is shared by the member organizations and the Federal Government. The Government about matches membership fees up to a maximum of C$100,000 per year. It contributed close to that amount in 1972/73 and 1973/74 (8). No data are released on amounts allocated to foreign market development projects, but it appears that a major portion of the budget is expended internationally (15).

From its inception, the Grains Council set out to make a systematic survey of Canada's principal grain markets around the world and to identify external constraints on Canadian grain movement (14). The type of knowledge acquired through the work of the Council helped created a greater awareness of the need for more market intelligence, development, and promotion. The Council also strongly favored greater Government involvement in export promotion and more direct cooperation between the Government and the trade in seeking overseas markets. It was the advocacy of this type of activity that ultimately led to the establishment of the Market Development Fund, although the Grains Council was by no means its only advocate.

Market development efforts initiated by the Grains Council have dealt primarily with wheat, feed grains, and rapeseed, but the focus has been on promoting barley and assessing the potential for feed wheat. (The Council is also a strong advocate of horsebean production.)

However, the Council is not a selling agency. The responsibility for exporting grain from the Prairies rests solely with the Wheat Board, while exports of rapeseed are made by private traders. (Rapeseed is officially designated as a grain in Canada; the Rapeseed Association of Canada is a member of the Grains Council.) The Wheat Board is not a member of the Council, but is listed as one of the advisor organizations.

Over the years, the Council has been involved in seven overseas missions (8). A mission went to Western Europe in 1971 to make an assessment of the factors that had affected Canada's previous marketing performance there, including competition from other suppliers and technological changes. (Some of the factors affecting Canada's marketing position in Europe were outlined earlier, based partly on the report of this mission.)

Overseas missions of the Grains Council have also included visits to Southeast Asia, South and Central America, and the Caribbean region. Missions to these areas were to demonstrate the feeding value of Canadian coarse grain and the efficiency of raising

8/ Three major producer organizations--the Prairie Wheat Pools--withdrew from the Grains Council at the start of 1973, but they indicated their willingness to continue working with the Council on important committees (33), (35).

livestock by utilizing Canadian barley and rapeseed in preference to corn and other feedstuffs imported mainly from the United States (28). The Council's missions were also to determine marketing projects required, and evaluate Canadian investment opportunities which would facilitate expansion of feed grain imports from Canada (13).

The countries visited were generally selected because they appeared to the Canadians to be growth markets whose requirements must be met through imports. In general, these imports have been supplied by the United States and countries other than Canada (28).

The Canadians did generate some interest in their feed grain relative to corn in a number of countries. The argument that barley can replace corn from an economic and nutritional standpoint convinced the South Korea Mixed Feed Association to propose poultry feed trials in South Korea using Canadian barley, for the purpose of determining the feasibility of converting at least some of the South Korean poultry industry to the use of Canadian barley.

Corn from the United States is now the major ingredient in South Korea's poultry and other feeds. Reportedly, the Canadians found the Koreans somewhat concerned with their heavy dependence on imports of U.S. corn. (Annual sales of U.S. corn to South Korea averaged nearly 16.6 million bushels in fiscal years 1971 through 1973).

Feed trials conducted by the Korea Institute of Science and Technology were started in the spring of 1972. 9/ The cost was shared by the Market Development Fund, which contributed more than half of the total, the Grains Council, various Canadian organizations, and the Korea Mixed Feed Association. A follow-up promotional campaign was mounted in 1973 to familiarize the Korean poultry industry with the results of the feed trials (8), (28), (33). The Grains Council reports that, as a result, representatives of the Korea Mixed Feed Association went to Canada to look into the possibility of obtaining supplies of barley and rapeseed. Based on the findings of the feeding trials, they indicated that for barley they were prepared to pay up to 90 percent of the value of corn (on a ton per ton basis); for rapeseed meal they indicated that they were prepared to pay up to 70 percent of the value of soybean meal with 44 percent crude protein content (8). The Grains Council also reports that sales of rapeseed meal and feed barley were negotiated by the Koreans (8). Feeding trials have been extended to include hog rations and the use of utility wheat in hog rations (8).

However, the Grains Council has pointed out that since the United States provides easy-terms credit for most of the corn it sells to South Korea, Canada will have to match U.S. credit terms if the Korean poultry sector is to switch to Canadian barley (see p. 42) (28), (33).

The mission to Southeast Asia saw a good potential for Canadian prepared feed in the Far East, where feed mills cannot keep pace with the demand for low-priced, nutritionally sound, and commercially guaranteed prepared feed or prepared feed supplements. This same mission pointed out that while the United States supplies large amounts of prepared feeds, the Canadian share of the market so far is nil (8).

To follow-up on leads developed by the first mission to Southeast Asia, in the spring of 1972 the Grains Council, with funds provided by the Manitoba Department of Agriculture, sent a mission to Japan, South Korea, Taiwan, and Hong Kong to study possible market outlets for manufactured feeds in these countries. Some trial shipments of prepared feeds have been made to firms in the Far East that have shown an interest in becoming agents for Canadian feeds. Promotional campaigns may be initiated where they seem warranted by market prospects (8), (33).

9/ Feed trial utilizing rapeseed meal have also been started, (see p. 57).

However, in the opinion the Grains Council, exploitation of the potential for sales of Canadian prepared feed to Far Eastern markets is also contingent on the availability of special rates from the railroads as well as optimum ocean freight rates (33).

So far, the Council has generally relied on technical overseas missions to evaluate the market for Canadian feed grain and to promote sales, but in the future the Council also plans to operate through overseas offices, partly on the recommendation of its overseas missions. Overseas offices are seen by their proponents as a means to help counter sales pressure mounted by the United States, Australia, New Zealand, and other exporting countries (28), (35).

In May 1973, the Council decided that as a first step it should open one or two Export Market Intelligence and Development Offices in Japan and Southeast Asia. It is planned that these offices will operate in cooperation with, and complement, the efforts of other trade and Government agencies engaged in the promotion and marketing of Canadian grain (33), (35). As far as is known, ways to fund the offices had yet to be decided as of mid-1974; consideration has been given to financing the effort through cooperation with organizations such as the Rapeseed Association of Canada and the Seed Growers Association. It has been roughly estimated that it would cost at least C$100,000 per year to operate the Tokyo office, which would represent a substantial increase in expenditures from the Council's total 1973/74 outlays of about C$199,000 (8). The Federal Government does not have the authority to assist.

The Grains Council indicates that by and large its overseas offices will perform work approximately analogous to the tasks of the U.S. Feedgrain Council (13). In Japan, the Grains Council will also evaluate Japan's food needs and determine the feasibility of introducing and producing in Canada new crops for the Japanese market (15).

When the decision to open an office in Tokyo was made, the leadership of the Council pointed out that while Canadian agriculture was already represented in Japan by an office of the Canadian Wheat Board and by the Office of the Canadian Trade Commissioner, the Council could not "ignore the fact that U.S. agriculture is represented by seven separate offices in Tokyo... Compared with the efforts put forth by the United States through a combination of the USDA, producer and industry groups we (Canadians) are not even in the same ball park, let alone the same league" (35).

For the future, in addition to opening overseas offices, the Grains Council plans to launch specific programs (which, however, have not been announced) to reinforce and complement the market development activities of other agencies or firms. Such activities will continue to be carried out in cooperation with, but separately from, the Trade Commissioner Service and the Wheat Board. Financing will be sought from the Market Development Fund (33).

In October 1973, a Commodity Analysis and Evaluation Committee was set up within the Grains Council to deal with new crops, new crop varieties, and new crop products, and to assure maximum results from research, development, and marketing efforts in these areas. The Committee will monitor market opportunities and developments in new crops and will issue progress reports (28).

The Council has also been given the task to evaluate, propose, and coordinate changes needed in the Canadian grain handling and transportation system to ensure the competitiveness of Canadian grain in domestic and overseas markets (see p. 43). A special committee has been set up by the Council and work is underway.

Department of Agriculture

The Canadian Department of Agriculture (CDA)--officially known as Agriculture Canada--is only indirectly involved in trade promotion activities, but it has been increasingly mobilizing talent and resources for a comprehensive program of market development, abroad as well as at home (28), (33).

In addition to maintaining an active role in forming agricultural trade policies and all programs affecting marketing and distribution of farm products, CDA provides technical and specialized personnel to IT&C and to other groups for participation in trade fairs, trade missions, and other activities.

Occassionally, CDA sends out technical missions of its own. For instance, in the summer of 1972, a mission of CDA experts went to Cuba to help with the management of purebred Holsteins and hogs. Over the years, Cuba has been a significant buyer of these animals from Canada (28), and Canada hopes to be able to supply Cuba with rapeseed meal.

As part of its function to develop and present economic outlook information, each year CDA organizes an Agricultural Outlook Conference, which provides very comprehensive analyses of prospects in both the domestic and export markets. The theme of the Conference held in November 1972 was "Market Development and Expansion." Emphasis was on foreign markets and the conference was an effective means of familiarizing all sectors of Canadian agriculture with the importance that the government attaches to export promotion and its new emphasis on market development.

The information provided at the Outlook Conference is constantly brought up to date by timely reports, which generally provide extensive coverage of prospects in the export market.

In cooperation with the trade commissioners of IT&C, CDA gathers and evaluates agricultural commodity reports and other information from around the world for publication in its bimonthly magazine Agriculture Abroad and its weekly Spot News.

To help predict future levels of foreign trade and develop new market opportunities, the Department studies the demand for and supply of Canadian farm products, including competition for markets at home and abroad. Findings of these studies are also useful in suggesting changes needed in the marketing system and possibilities for promotional activities.

In addition to conducting its own research, the Department provides technical and/or financial support to other groups for conducting research related to market development. Examples of these types of activity are a study of the North American market for hogs and pork and a report on feed grain export performance of Canada and its major competitors.

The hog-pork study (18) reviews problems of marketing the products in the United States and identifies areas in which the Federal and the Provincial governments can assist in the promotion of sales. The feed grain study, prepared by the Canada Grains Council and the University of Saskatchewan with funds made available by the Department of Agriculture, reviews the export performance of Canada and its major competitors during the 1960's and is meant to provide background information necessary to develop a Canadian market strategy (8).

In 1972, CDA launched a pilot program to develop market-oriented plans for beef, oilseeds, and high-energy grains. This project may involve expenditures in excess of C$3 million. Programs for other products are being developed and a Food Systems Branch has been formed to coordinate and monitor the development of these programs.

This is a new approach by CDA to agricultural coordination and development and is based on a market-oriented food systems concept. Its goal is to optimize allocation of agricultural resources and to help gear the production-marketing system to meet short-term and long-term market demand more effectively. This includes efficiency in responding more readily to the export market.

It is anticipated that the Food Systems Branch will include questions related to foreign market development and market strategy in their analysis of commodity systems.

According to some thinking within CDA, in the longer run, the food systems concept can be an effective means to organize Canadian agriculture in such a way that it can compete on a large-scale in world markets with U.S. soybeans, either through exports of Canadian rapeseed, or both soybeans and rapeseed, or through exports of some other combination of crops. 10/

The Agricultural Products Board and the Canadian Dairy Commission are autonomous agencies that report to the Minister of Agriculture. They may be involved in export sales and promotion, mainly for disposals of surpluses acquired for purposes of domestic price stabilization. At times, exports by these agencies are possible only through the provision of subsidies. The Dairy Commission purchases nonfat dry milk domestically at prices higher than those it charges on exports to countries other than the United States.

On rare occasions, the Dairy Commission also conducts market development programs--as in 1970, when for a period of 2 weeks it offered rebates to retailers in the United Kingdom who lowered the price of Canadian cheddar. The Commission provided an additional allowance to outlets with special in-store promotional activities. In 1973, the Commission sent representatives to Mexico and Cuba (28). By and large, however, prospects for expansion of exports of Canadian dairy products are rather dubious.

National Marketing Agencies

The Farm Products Marketing Agencies Act of 1972 authorizes the creation of nationally coordinated agencies to control production, marketing, prices, and promotion of farm commodities other than grains, oilseeds, and dairy products. The creation of such agencies must be recommended by the National Farm Products Marketing Council, after they have been approved by the majority of producers of the commodity involved (32).

The Canadian Egg Marketing Agency, which began operating in June 1973, was the first agency set up under the new law. The Canadian Turkey Marketing Agency was officially proclaimed in March 1974; and consideration has been given to the establishment of a national marketing agency for broilers (28).

Promotion of foreign trade was a minor consideration in the thinking that led to the legislation for creating national marketing agencies. The main purpose of the legislation was to set up a system--other than through direct subsidies--to stabilize farm prices of commodities which are characterized by markedly cyclical production

10/ Some Canadians are optimistic that in the long run Canadian horsebean production could be expanded and that a protein meal made from horsebeans could be highly competitive with U.S. soybeans. However, it will be some years before the full potential for horsebean production is known, and there is still some debate on their nutritional value.

or have been in chronic surplus, and which have often caused trade disputes among various Provincial governments.

Nevertheless, these national marketing agencies could have a considerable impact on international trade. In the preformance of their assigned tasks, they can purchase, process, store, sell, export, or otherwise dispose of acquired products. They can promote and research new markets, and open overseas offices (32). For some commodities, agencies having only market development functions may be established (4).

According to the National Farm Products Marketing Council, one of the greatest contributions the national marketing agencies can make is to expand opportunities through new marketing programs, including the full exploitation of the potential for exports (28) Canada's interest can best be served if productivity is geared to the development of new and potential export markets, rather than to the domestic market alone (4). And the national marketing agencies are seen by the Government as having the advantage of being able to make long-term arrangements in order to assure continuity of supply to export markets (33).

The agencies must be self-supporting, deriving all their revenue from charges on the regulated products. Conceivably, producer levies could be used to subsidize and develop export markets.

The Farm Products Marketing Agencies Act did not provide the marketing agencies with authority to set up import controls as part of their task to regulate domestic production and prices, but this was made possible in May 1974 through an amendment to the Canadian Export and Import Permits Act. Since then, import quotas based on minimum Canadian prices have been imposed on eggs and turkey meat to support the effectiveness of the supply-management programs for these commodities (28).

Needless to say, such restrictions have an adverse impact on U.S. commercial interests. There has been a considerable amount of U.S.-Canadian trade in commodities now under agency regulation or likely to come under such control in the future. For the time being, however, hatching eggs, which account for the bulk of U.S. exports of eggs to Canada, have been excluded from the egg supply-management plan.

It is difficult to envisage how the various programs can function without some sort of import restrictions, even though Canada is committed in principle to the promotion of international trade liberalization.

Credit Programs for the Promotion of Exports to Developing and Communist Countries

Canada's total exports of wheat and flour to the developing countries during the 1960's averaged 1.3 million tons per year, or 12 percent of total exports. Canada supplied 4 to 9 percent of the developing world's wheat imports, the United States about 50 percent. Most Canadian wheat exports to the developing countries consisted of donations. Wheat sales were limited by several factors, such as the relatively high price of the Canadian product, the higher shipping costs from Canada than from the United States (especially to Latin American markets), and, undoubtedly, the concessional sales terms available from some of Canada's competitors, including the United States.

To help improve Canadian wheat exports to the developing countries, in March 1969 the Government announced an Expanded Credit Program, under which subsidized interest rates and long-term loans (i.e., loans of more than 3 years) were made available for sales to an approved list of developing countries. The list of eligible countries is under constant review, but is not made public. There were about 40 countries on the list when the program was first announced (16), (28).

The Canadian Wheat Board now negotiates all concessional-term sales, both medium and long term, though this was not the case at the start of the program. According to the Wheat Board, the use of subsidized interest rates and long-term loans has greatly enhanced Canada's competitive position in the developing countries, making it possible to match the credit terms offered by other countries (28). All loans are guaranteed by the Federal Government 11/ (16).

With the help of the Expanded Credit Program a number of sales were made to countries that had never bought Canadian wheat, and to countries that had been only occasional customers, or had bought only very small quantities.

All the countries that have taken advantage of the Expanded Credit Program have also been buyers of U.S. wheat. Among them the Philippines and Brazil have been relatively important traditional U.S. outlets.

Table 9 shows the volume of wheat exports--excluding donations--from Canada and the United States to the countries using Canada's Expanded Credit Program in the years immediately before and after the introduction of the program.

Table 9--Canadian and U.S. exports of wheat and wheat flour in terms of wheat, excluding donations, to specified countries, 1967/68-1971/72

Year 1/ and country	Egypt	Syria	Philippines	Peru	Brazil	Algeria
			1,000 bushels			
1967/68:						
Canada	0	0	0	23	0	0
U.S.	862	3,102	21,923	9,089	47,464	9,436
1968/69:						
Canada	164	2,030	0	10	0	0
U.S.	0	0	18,360	3,773	28,688	8,538
1969/70:						
Canada	3,197	4,061	0	6,210	0	0
U.S.	0	0	16,631	5,758	33,184	5,263
1970/71:						
Canada	12,862	10,477	6,022	9,527	15,533	11,765
U.S.	0	3,369	16,565	6,942	28,777	8,183
1971/72:						
Canada	892	9,227	6,364	6,064	13,588	8,204
U.S.	0	5,174	14,418	16,476	16,334	16,701

1/ July-June for U.S.; Aug.-July for Canada.
Sources: (16) and official U.S. trade statistics.

11/ Long-term loans are insured by the Export Development Corporation at the Government's risk. The corporation also issues at its own risk insurance against nonpayment for sales of other farm commodities that cannot be normally insured with commercial insurers. Exports of farm products insured at the risk of the Export Development Corporation, amounted to C$37.6 million in 1970/71 and C$33.8 million in 1971/72, as indicated in the Corporation's annual reports. This is about 7 percent of the total amount insured by the Export Development Corporation. It covers milk products, fruits, and vegetables, as well as fish and alcoholic beverages.

Agreements signed since the last year shown in table 9 include one with Algeria, one with Brazil, and one with Pakistan. The sale to Algeria, signed in August 1972, calls for deliveries of up to 500,000 metric tons per year in the 1973-77 period, not including usual-market-requirement purchases. Separate contracts are negotiated for the sale of specific amounts within the 5-year period. One such contract was signed in 1974 and called for delivery of 300,000 metric tons starting in April. This amount is in addition to a previous contract involving the sale of 258,000 metric tons (33), (35).

The sale to Brazil, announced in December 1972, is for 600,000 metric tons over a period of 3 or 4 years, and is in addition to normal commercial sales. The agreement with Pakistan, announced in October 1973, involved 240,000 metric tons between November 1973 and January 1974.

Terms of credit for the Algerian sale were 10 percent at time of shipment, with a 10-year repayment period for the balance, a 2-year grace period, and a rate of interest of 4.75 percent per year (28). Credit terms are not made public for all transactions, but the Algerian sale is probably typical of terms available under the Extended Credit Program. Initial cash payments of 5 percent have also been allowed.

Until the start of the Expanded Credit Program, the most favorable terms permissible were 10 percent cash at the time of delivery, with the balance due in 3 years (16), at interest rates of about 8 percent (28).

Until October 1970, medium-term sales to the People's Republic of China and to some other Communist countries were covered by special credit guarantees extended by the Government. Terms were 10 or 25 percent cash at the time of loading, with the balance generally due in 18 months, with interest. As far as is known, the rate of interest due on the unpaid balance has never been made public. So far, the USSR has always paid cash for its purchases of Canadian grain.

In October 1970, responsibility for administering all new sales of grain involving concessional terms for periods of 3 years or less--including sales to Communist countries--was transferred to the Wheat Board.

The credit terms available to Communist countries for periods of 3 years or less appear to have remained unchanged. A 3-year agreement with China, announced in October 1973, for delivery of up to 6.1 million metric tons of wheat has the same credit provisions as previous contracts: 25 percent cash when each vessel is loaded, with the balance in 18 months with interest.

So far, the Wheat Board has not sold any feed grain on credit, except to Poland. A few years ago, Poland was permitted to fulfill an earlier commitment to purchase wheat by switching to the purchase of 4.8 million bushels of barley on credit (16). Also, a 3-year agreement with Poland, signed in 1973, calls for deliveries of up to 36.7 million bushels of grain, including small (but unspecified) amounts of barley and feed wheat. Payment arrangements were 10 percent cash on loading and backed credit (with undisclosed terms) on the remainder (28).

The Canada Grains Council has indicated that availability of short-term credit at low rates of interest for sales of feed grain and introductory aid shipments are essential to compete with sales made under the U.S. P.L. 480 program (13). Overseas missions sent out by the Council indicate that in most cases, a 180-day credit period would be sufficient to match the credit terms offered by the competitors, but according to the missions' reports, in some countries Canada should offer credit for periods of up to 1 year.

When announcing the start of the Korean poultry feed trial (p. 36), the Grains Council indicated optimism over the possibility of arranging credit terms for barley sold to the Korean market (33). However, the decision of whether to provide credit is not up to the Council.

Improvement of Grain Handling and Transportation Facilities

The success of efforts to expand grain and oilseed exports, and the fulfillment of Canada's goal to eventually export 1 billion bushels of grain annually, depend to a large degree on the ability of the handling and transportation systems to deliver the export goods on schedule and economically.

In many years, Canada has experienced severe difficulties in shipping out on schedule the entire amount and the right kind and grade of grains and oilseeds committed for export, partly because of shortages of rail cars and lack of storage facilities in the right places. Winter adversities have often added to the problem as they have hindered movement of trains across the Rocky Mountains and have prevented full utilization of terminal facilities. Occasionally, the Wheat Board has been unable to accept new export orders, as it would have been impossible to make deliveries on time (28).

In 1970, a so-called block shipping system for internal movement of grain was introduced. Essentially, this system is designed to give preference to the movement of grain wanted by the market. Deliveries from farm to country elevators to final destination are programmed to speed up movement of the kind of grain that has already been sold and to prevent interference from operations for moving and storing grain which is not immediately marketable.

In addition to seeking to speed up the movement of grain, the Government and private farm leaders have also been aware for a long time of the need to make the movement of goods more economical in order to keep Canadian products competitive in world markets and to enhance farmers' returns.

On the average, the total cost to the producer of putting a bushel of wheat to export point is roughly 40 cents (15). The maximum rates that can be charged for export shipments of grain and oilseeds and for domestic shipments to Thunder Bay are set by statute. These rates, called statutory or Crow's Nest Pass rates, are well below the amounts charged by U.S. railroads for hauls of similar lengths in the United States, and below the rates charged by Canadian railroads within Canada for shipments of goods other than grains and oilseeds. It has been estimated that without statutory limitations, rates on grains and rapeseed would be about threetimes higher than they are now (22). (Domestic shipments of feed grain from Thunder Bay to eastern Canada and from the Prairies to British Columbia are also subsidized.)

The rapeseed industry and Provincial governments in the Prairies have been pressing for reduced rates on rail shipments of rapeseed products for domestic use in eastern Canada and for export. Advocates of reduced freight rates for export shipments maintain that Canada has lost many foreign sales of rapeseed oil and meal because of the high internal transportation cost (33), (35).

In the summer of 1973, the Canadian railroads were ordered to reduce rates on domestic shipments of rapeseed meal from Thunder Bay to eastern Canada and to set lower freight rates for shipments of rapeseed meal and rapeseed oil for export (33), (35).

The handling and transportation problems have been the subject of countless studies, reports, and articles, all generally seeking to find long-term solutions to the efficient and timely collection and delivery of grains and oilseeds. In 1969, the Federal Government initiated a series of studies on costs, economic aspects of the existing system, and possible alternatives to it.

The result of these studies was published in 13 reports in 1972. The Canada Grains Council has been given the task to evaluate these reports, recommend a course of action for the improvement of the system, and develop priorities on modifications required in the system (15).

While seeking long-term solutions, the Government has also been taking measures to relieve some of the immediate congestion by providing more rolling stock. In 1972, the Government spent about C$48 million to purchase 2,000 hopper cars. All the new cars were given to the Canadian railroads and were in operation in the summer of 1973. Some viewed the Government's expenditure as an indirect compensation to the railroads for the artificially low rail rates that they are required to maintain on shipments of grains and rapeseed.

Each new hopper car has a capacity of 3,300 bushels, 1,300 more than the standard boxcar. With average use, the 2,000 hopper cars can carry approximately 150 million bushels per year (28).

In March 1974, the Government announced the expenditure of C$3.4 million, to be matched by the railroads, to repair 2,400 old box cars (28).

A few days later, the Government decided to place an order of more than C$100 million for a fleet of 4,000 hopper cars, to join the 2,000 hopper cars put in operation in 1973. The Government decided to place the order for the purchase of the new hopper cars to avoid delays that might have been caused by uncertainties as to who was going to pay for them (35).

The Government has also indicated that part of the solution to winter transportation and storage problems lies in the construction of more storage space at Vancouver and other export points, to avoid being caught short (33), (35).

In 1972, the Government announced that it would spend C$5 million to aid in the construction or expansion of bulk and general cargo facilities at Prince Rupert, Canada's northernmost Pacific port (32). The first contract for this project, which is expected to cost more than C$17 million, was let out in 1973 (35). As the Government has reiterated that it will continue to concentrate its attention on transportation, storage, and handling problems, major changes and improvements can be anticipated in the years immediately ahead (33), (35). It is obvious that the Government is determined not to let this type of problem interfere with future levels of exports and it is equally obvious that Canada has the technical and financial resources needed to upgrade its handling and transportation system.

It is argued that Canada must go beyond improving the domestic system. It is pointed out, for instance, that Canada should find ways to ship grain at competitive ocean rates to markets that are good potential outlets but are too small for full-cargo shipments, with one port unloading. At present, Canadian grain exports to these markets must depend on liner services, with the result that transportation costs incurred by Canadian grains are higher than those incurred by Canada's competitors.

To help solve the problem, proposals have been made to research the feasibility of such varied and imaginative suggestions as: (1) the establishment of a fleet of Canadian grain vessels to service those ports to which Canadian grains could not otherwise be sold on a continuing and competitive basis; and (2) shipping grain to tropical markets in containers that could be easily converted into low-cost housing after unloading of the grain (11), (12), (13).

It has also been recommended that Canada should provide financial assistance to foreign countries for grain handling and storage facilities at various ports in the developing world to facilitate exports of Canadian grain to those places (11), (12). In fiscal year 1973 (April 1972-March 1973), the Government allotted C$3 million to aid Brazil in building grain silos. At the time of the announcement no indication was given whether this project involves any grain purchase requirements (28).

PROGRAMS OF THE PROVINCIAL GOVERNMENTS

All Provinces engage in foreign market development activities in varying degrees. The Provincial governments support promotional efforts of local groups, cooperate with one another in promoting sales of products in which two or more Provinces have a common interest, and work with the Federal Government as well as with national and local private organizations.

In the past, most market promotion was carried on by departments directly concerned with the trade and the overall economy of the Province, but in recent years there has been a considerable increase in the marketing activities of the Provincial Departments of Agriculture. This has resulted in a considerable stepping up of the overall export programs of those Provinces where agriculture is important to the economy. This new thrust at the local level, backed by substantial local funds, has put pressure on the Federal Government to expand market development, and has provided the basis for a combined Federal-Provincial leadership and support to all groups involved in market expansion (4).

Some Provinces maintain offices in key markets abroad. The traditional role of these offices was to assist industrial development of and immigration into their respective Provinces, but this role has gradually extended to include trade development.

Much of the Provinces' work to foster exports is aimed to the United States, but this chapter focuses on activities in countries other than the United States.

Alberta

Roughly two-thirds of Alberta's farm production is exported (2). The Provincial government is firmly committed to a policy of trade expansion and is opposed in principle to policies seeking to restrict output of any farm products, in order to keep production in balance with domestic requirements (2).

In May 1973, the Provincial government established the Alberta Export Agency. The Alberta Agency, which is the first of its kind in Canada, will extend export credit, export insurance, documentation, and forwarding facilities to Alberta's firms involved in expanding markets for the Province's agricultural products. The agency will facilitate the market development of processed, semiprocessed, and raw agricultural products in foreign countries. The agency can engage in buying and selling operations, if this is considered necessary to assure retention of a market. The contract can later be turned over to private firms (28).

The initial funding of the agency was C$10 million, with an additional authorization for guaranteed loans as credit requirements develop. Credit terms are meant to enable Alberta's firms to meet worldwide competition. The Provincial Deputy Minister of Agriculture is the Chairman of the Board of the Agency. Other members include the Deputy Minister of the Alberta Department of Industry and Commerce (or his designate), one representative from producers' organizations, and one from the agribusiness sector (2).

The work of the agency will be tied in with that of the Marketing Division of the Alberta Department of Agriculture, and will be integrated with the Foreign Marketing Section of the Provincial Department of Industry and Commerce. These two offices were set up in 1972 with the specific objective of expanding foreign trade (2).

The agency assists in bringing potential buyers to Alberta and helps out-going missions of Alberta's processors, producers, or manufacturers to foreign countries (28).

In 1974, the Alberta Export Agency negotiated a sale of 2 million pounds of dehydrated potato granules to Japan. The sale was made by a firm owned and controlled by a group of Alberta potato growers and was described by the Provincial Minister of Agriculture as a major market breakthrough. However, the sale involved production from only 525 acres, or 2 percent of Alberta's total area in potatoes (33). In the spring of 1974, the agency helped negotiate a sale of 150,000 hogs to Japan (see p. 67). Sales of poultry meat to Japan have also been arranged through the agency (28).

In 1970, Alberta opened a trade office in Tokyo. The Province also maintains an office in London and plans to open one or two more overseas offices (2). All these posts abroad, however, are responsible for the promotion of all Alberta products, and not just those of farm origin.

Trade missions are an important part of Alberta's export promotion program. A typical mission consists of several task forces, each of which concentrates on a specific sector of the economy. It is anticipated that in the future Alberta will send out about six missions per year (2).

An 80-man trade mission headed by the Province's Premier went to Japan in September 1972. It included a 10-man agricultural task force. This group elicited new interest for numerous Canadian products including pork, beef, breeding stock (dairy and beef cattle, as well as hogs), malt, rapeseed, rapeseed oil, bread wheat, buckwheat, sunflowerseed, and pulses. New sales involving air shipment of fresh pork and a 3-year contract for exports of 250 hog carcasses per month were attributed to this mission (see p. 67) (28).

The mission reported a growing Japanese interest in using alfalfa cubes to provide roughage in dairy and beef cattle rations as a substitute for rice straw, satisfactory supplies of which are becoming hard to find in Japan. Alfalfa pellets, used in poultry rations, are still in great demand in Japan (2).

The mission handed out two new Alberta products, Alfa-Bar and Alfa-Bar-R. The former is a mixture of alfalfa and barley put up in cube form, the latter is a mixture of alfalfa, barley, and rapeseed. Neither product makes a complete feed ration, but reportedly both can be a starting base for 100 different rations (2). Although the Wheat Board is the only agency authorized to export barley, the restriction does not apply to barley exported in this form, as long as the barley content of the cube is less than 25 percent (2).

With the encouragement of the Provincial Government, Alberta's alfalfa processors have formed the Alfalfa Processors Association to facilitate commercial dealings with present and prospective Japanese importers of Canadian alfalfa feed (2). Representatives of the industry and of the Provincial Governments are reported to be optimistic about future prospects for exports of Alberta's alfalfa to Japan (2).

In the past 3 or 4 years, Alberta's farm market development teams have visited virtually all regions of the world. Two trade missions visited Mexico and South America in 1973. They reported good export opportunities for Canadian beef, dairy, and hog breeding stock, frozen semen, grains, rapeseed oil, rapeseed meal, nonfat dry milk, and other processed Canadian foods. The Provincial Department of Agriculture has set up special commodity teams within its marketing division to help with the follow-up work. When the establishment of the Alberta Export Agency was announced, the Provincial Minister of Agriculture indicated that the agency had been established as a result of the observations made and the experience gained by trade missions to Central and South America and to Japan (35).

Two missions went to several countries in the Far East during 1973. An agreement between Canada and Indonesia to cooperate in a cattle-breeding program was announced during the visit of one of the missions to that country. A team of cattle breeding experts will be sent to Indonesia by the Alberta Government in 1975 (28).

Manitoba

Market development activities are carried out primarily by the Marketing Branch of the Department of Agriculture and the Manitoba Export Corporation.

The Manitoba Export Corporation, created in 1963, is an associated agency of the Provincial Department of Industry and Commerce (20) and is financed by it (28). Most of the Corporation's work is for nonagricultural commodities. Its activities to promote food products are carried out essentially by direct approach to potential buyers (20). However, the Corporation has organized some small food shows, such as the Manitoba Food Display at the Canadian Consulate in Minneapolis in September 1971. Sales resulting from this display amounted to C$50,000 (20).

A salesman has been hired to cover Central America, the Caribbean, and some other Latin American countries. Emphasis in these areas is on the promotion of Manitoba beef and pork, portion-controlled meals, processed poultry, and fresh and canned vegetables (20). The Corporation has organized a number of trade missions, including one to Czechoslovakia in December 1971. This and other initiatives brought about a Czechoslovak purchase of 11,000 tons of flaxseed in the summer of 1972, through Manitoba brokers (33). Apparently, penetration of the Czechoslovak market is envisaged as the first step toward the penetration of the entire Central and East European market by Manitoba exporters (33).

The 1973 Annual Report of the Marketing Branch of the Manitoba Department of Agriculture states that at the invitation of one of the Caribbean governments, the Branch has examined the possibility of increasing Canada's grain exports to that area. The report points out that the opportunity exists for Manitoba to play a major role in the establishment of a flour and feed mill in the Caribbean. This is the kind of involvement, the report continues, that has made the efforts of the United States so effective in obtaining a continuity of markets.

The Manitoba Department of Agriculture has an active program to develop specialty crops, such as buckwheat, forage seeds, mustardseed, sunflowerseed, and horsebeans (fababeans), and to assess their foreign market potential. Trade missions promoting these products (as well as grains and oilseeds) have been sent to Japan, Mexico, Chile, Argentina, and Brazil. Officials in the Department are confident that exports of buckwheat to Japan can be expanded greatly. Total Canadian exports of buckwheat to Japan increased from an average of less than 100 bushels in 1963-64 to nearly 1 million bushels per year in 1968-72.

The Department is also sponsoring a feed trial for poultry and hogs in Japan, utilizing horsebeans as protein source. Feed trials utilizing horsebeans in dairy rations are also being conducted in Japan and are reported to have generated some interest among Japanese dairy producers.

The programs emphasizing specialty crops were conceived or started in a period of world grain surplus, when there was a pressing need in the Prairies to find viable alternatives to grain production. Attempts to promote horsebean production and to assess their worldwide potential as high-protein feed were also motivated by the more ambitious desire to come up with a high-protein meal that in the long run could enable Canadian agriculture to become highly competitive with soybean meal, on a worldwide basis.

In other areas of export promotion activity, the Department, in cooperation with the Manitoba Hog Producers Marketing Board, has been engaged in designing programs for

Manitoba pork in foreign markets, especially Japan and the United States (28). In Japan, the combined efforts of the Department and the Board culminated in the signing of a contract for shipment of 48-80 million pounds of Manitoba pork during 1973-76 (p. 67). In early 1974, a Manitoba mission assessed the market potential for turkey in Venezuela, Brazil, Argentina, Peru, and Colombia. It reported the possibility of sales of up to one-half million dollars per year, mostly to institutions in Venezuela, Peru, and Colombia (33).

A program has also been designed to supply California with various root vegetables, particularly rutabagas (28). As noted on p. [illegible], the Provincial Department of Agriculture provided the funds for the prepared-feed mission sent to the Far East by the Canada Grains Council.

In 1972, an officer of the Department's Marketing Branch delivered 25 head of purebred cattle to their Mexican importer at the U.S.-Mexican border. The cattle had been purchased by the Department of Agriculture from several farms in Manitoba for delivery to the Mexican importer. In the process, the Department acted as export agent and took title to the cattle from farm gate to final export point (33).

The Manitoba Export Corporation has had an in-field program to research the feasibility of setting up a Manitoba Trading Corporation which would buy and sell in foreign markets, as well as represent Manitoba firms (20). Establishment of such a corporation was proposed by the Provincial Government to the Provincial legislature in July 1974 (33).

Ontario

The Ontario Food Council, a branch of Ontario's Ministry of Agriculture and Food, is the provincial agency with the largest program for promoting exports of Ontario's farm products. Roughly 20 percent of the Council's total budget has been for export promotion, expenditures being about equally divided between the U.S. market and the rest of the world.

A London branch of the Council organizes market research and market reconnaissance trips to different parts of Europe and holds receptions for various groups of producers from Ontario. Its most important activity, however, consists of setting up trade exhibits in several cities in the United Kingdom and other European countries (24). Major emphasis is placed on food shows and promotion to consumers. All types of consumer-ready products are exhibited (24). For the past decade, the London office has organized Ontario's annual food exhibit at the Ideal Home Exhibition in London (24), (28).

The role of the London office was expanded in 1969 with the construction of the Ontario Food Center, which includes a Canadian-style test kitchen, a food demonstration area equipped with audiovisual aids, and a semipermanent Ontario food exhibit (24). The center seeks to develop recipes for Ontario foods acceptable to the British taste, and in general tries to familiarize women's groups, food editors, and other groups with Ontario's foods (24).

In other parts of the world, the exhibit program of the Ontario Food Council so far has been limited essentially to participating in fairs or shows organized by other agencies of the Province or the Federal Government.

Each year the Ontario Food Council sends out 5-10 trade development missions. Most missions go to the United States, but normally each year one goes to Japan, one to the United Kingdom, and one to the Caribbean area. Each mission generally includes representatives of five firms and a market development officer from the Food Council. The Council generally pays for the air fare and the shipment of goods and hosts a reception for the mission. Recent missions include one to Guatemala and El Salvador for the promotion of beef cattle and two to Japan. The first mission was sent to Japan in April 1972 (28).

One-man market surveys by individual market development specialists are reported to have identified a number of export opportunities for Ontario's farm products. For instance, in November 1972 Canada made its first trial shipment of identity-preserved soybeans (29,400 bushels) for food use in Japan. The sale culminated the work initiated 3 years earlier by a market development specialist (28).

The Food Council has also taken an active role in assisting the Ontario Bean Producers' Marketing Board to promote sales in Western Europe (see pp.70-71). Although the Council does not have an incoming buyers program, it has brought to Ontario some prospective buyers of white beans.

In 1970, Ontario introduced a Cooperative Market Development Project. The program provides a 25 percent rebate on promotional expenditures in foreign markets by groups of firms dealing in the same commodity for projects approved by the Ontario Food Council. Some associations dealing with farm products have received assistance under this program (24).

The Ontario Food Council maintains market specialists in the Provincial Department of Trade and Development to handle farm product inquiries emanating from that Department's 14 offices abroad (24).

Other Provinces

By and large, the market development efforts of other Canadian Provinces concentrate on the domestic market and import substitution, rather than export promotion.

The promotion program of Quebec's Provincial Department of Agriculture is quite limited in scope, according to the Provincial government itself; and the Provincial Department of Industry and Commerce is concerned primarily with nonfarm products. The facilities and programs of the Department of Industry and Commerce fall into four main categories: fairs, outgoing missions, specialized market weeks, and incoming missions. In 1973, the Department did not participate in any specialized food fair. Some of the outgoing missions include exporters of agricultural products (28).

In the past, Quebec has concentrated its agricultural promotion activities in the United States and those French-speaking countries where the Province maintains representation. Quebec also has an office in London. In more recent years, increasing attention has been devoted to the Japanese market (28). The opening of a trade and industrial development office in Tokyo was announced in the fall of 1973 (28).

Of the remaining Provinces, British Columbia and Saskatchewan have offices in London. The Maritime Provinces also maintain a joint office there. New Brunswick and Prince Edward Island each sent a seed potato mission to several Latin American countries in 1973 (28).

Interprovincial Cooperation

In June 1972, British Columbia, Alberta, Saskatchewan, and Manitoba set up a Western Agriculture Liaison Committee to review each Province's market development programs and recommend steps to eliminate duplication and achieve a more effective marketing effort (28), (33). One of the aims is to improve communication lines among the Provinces and between the Provinces and the Federal Department of Industry, Trade and Commerce, especially with regard to coordination and timing of outgoing and incoming trade missions (33). The Western Agriculture Liaison Committee, which has met a number of times, also seeks to promote closer cooperation among the Provincial commodity boards (such as the hog boards), and is to examine the feasibility of setting up a Western Canada Regional Market Development office (28), (33), (2).

The Alberta Export Agency will also serve as a further instrument for coordinating action with the other western Provinces, as well as working with Federal-Provincial units on a national basis, where convenient (33). Alberta is in favor of setting up an export agency similar to its own for Western Canada (33).

The Maritime Provinces have mounted several combined export drives in the United States (28). The three Prairie Provinces helped pay the expenses incurred by the four Technical Service Feed Grains Missions sent out in the early 1970's by the Canada Grains Council (13).

PROGRAMS OF OTHER SELECTED ORGANIZATIONS ENGAGED IN EXPORT PROMOTION

Rapeseed Association of Canada

Rapeseed Production in Canada

Rapeseed was a crop of secondary importance in Canada until the second half of the 1960's, when it began to provide a profitable alternative to wheat production and became Canada's fourth largest crop, after wheat, oats, and barley.

As rapeseed is grown mainly for export, the rapid increase in planted area and production was accompanied and made possible by a surge in foreign sales. Canada has become the world's largest exporter of rapeseed and, in some years, the world's largest producer. Planted area rose from 1.4 million acres in 1965 to 5.3 million acres in 1971, and production went from 22.8 million bushels (517,104 metric tons) to 95.0 million bushels (2,154,600 metric tons).

However, in the following years the price relationship with wheat was not as favorable and rapeseed area and production declined. A large drop occurred in the 1972/73 marketing year, primarily because rapeseed prices had been depressed for several months prior to the planting season and exports had slowed down. It seemed then that the marketing year would start with low world prices for rapeseed and with Canadian carryover stocks roughly equal to that year's anticipated export requirements.

On the other hand, the position of wheat relative to rapeseed had improved somewhat in the spring of 1972, even though there had been no anticipation of the imminent increase in world prices and trading of wheat. (As far as the Canadian situation was concerned, huge sales contracts had been signed with the People's Republic of China a few months earlier, and there were indications that by the start of the 1972/73 marketing year, stocks of wheat would be down to manageable levels). Farmers reacted to this situation by bringing about a relatively modest increase in the area planted to wheat and by decreasing the area in rapeseed to 3.3 million acres, or by 38 percent. Production dropped 40 percent, to 57.3 million bushels.

Some observers had anticipated that the surge in wheat prices which occurred during the 1972/73 marketing year would cause another drastic drop in rapeseed area in 1973/74, but the area drop was relatively small--less than 4 percent (to 3.2 million acres) and the production drop was less than 7 percent (to 53.5 million bushels). The decline was small mainly because the price of rapeseed had also strengthened along with the price of wheat.

The report of planting intentions for the 1974/75 season indicated that the rapeseed area would be further reduced to 2.6 million acres, or by 16 percent. Before the start of the planting season, it was considered likely that the price of wheat would ease downward in 1974/75, but downward pressures on the price of oilseeds were expected to be stronger. Consequently, the farmers indicated that, as in 1972/73, they would once again increase the area in wheat and reduce rapeseed acreage.

However, heavy rains in the spring of 1974 delayed seeding operations and forced the farmers to alter their planting intentions, by seeding less land in wheat and more in oilseeds. Thus, the area planted to rapeseed in 1974/75 was about the same as in 1973/74 and production--at 52.9 million bushels--was down by less than 1 percent.

In 1972/73, although production declined by 40 percent, exports increased by 11.5 million bushels to reach an alltime high of 54,059,000 bushels (1,226,000 metric tons). The large carryover stocks available at the start of 1972/73 offset the drop in production. Exports declined in 1973/74--to 39.1 million bushels--because of reduced stocks and expanding domestic requirements.

Unless production rebounds, the upward trend which has characterized exports in most of the past several years will be arrested or even reversed, at least while grain markets remain strong. Export availabilities for 1974/75 are expected to be about 30 million bushels.

The Rapeseed Association of Canada (RAC) has tried to show the farmers that year by year, better cash returns per acre can be obtained from rapeseed than from wheat (34). Leaders of the Canadian rapeseed sector have become increasingly concerned over the possibility that production may drop even further. They fear that the resulting failure to assure continuity of supplies may cause the permanent loss of hard-won foreign markets.

However, both the RAC and the Federal Government appear to be operating under the assumption that the current situation of available supplies being lower than potential world demand is only temporary. Promotional efforts to win greater acceptance of Canadian rapeseed among users of oilseeds and oilseed products appear to be continuing with unabated vigor.

The full potential for Canada's annual area in rapeseed has been estimated at 10 million acres (22). Obviously, this potential will not be realized within the foreseeable future, but an upswing in rapeseed planting cannot be excluded, especially if world wheat supplies should again exceed effective demand by large amounts. Stronger promotional efforts would be required to dispose of rapeseed production from an area considerably larger than the present acreage.

General Approach to Rapeseed Export Promotion

Market development activities have been sponsored primarily by the RAC with the aid and cooperation of the Federal Government, the governments of the Prairie Provinces--where all the rapeseed is grown--and academic institutions. The latter have helped develop new varieties and new production techniques, as well as new processing methods (28).

RAC was established in 1967 for the main purpose of opening new markets both at home and abroad. 12/ RAC is national in character and represents all sectors of the rapeseed industry. Its board of directors consists mainly of nominees of organizations engaged in growing, handling, processing, and selling rapeseed and its products.

RAC's export promotion program has operated along three main lines of action: (1) Research into new rapeseed varieties and into the improvement and utilization of rapeseed oil and meal; (2) promotion of sales through incoming and outgoing trade missions and overseas seminars; and (3) efforts to remove trade barriers such as tariffs and import quotas.

12/ RAC has indicated that it will also assist in export promotion of sunflowerseed (19). However, sunflowerseed is still of minor importance and is not likely to become a significant export in the near future.

The research program sponsored and coordinated by RAC for the improvement of rapeseed varieties and rapeseed products has in fact been the prerequisite for successful market development, both at home and abroad, partly because the oil from the old varieties was high in erucic acid, which may be harmful to humans. Conversion to the new low-erucic acid varieties of rapeseed (LEAR) is now virtually complete, and oil from them is essentially free of erucic acid. Plant breeders have also succeeded in producing LEAR varieties which are generally equal to the old ones in oil content and yields per acre. Compared with traditional varieties, the first LEAR varieties were lower in both oil content and yields per acre (28).

Rapeseed meal--both from traditional and LEAR varieties in current commercial use--contains toxic substances (glucosinolates) which are potentially poisonous to animals and humans. This restricts the use of rapeseed meal in livestock feeds, even though the meal can be detoxified through processing. The Canadians have been striving to develop new varieties which will produce an oil with low or no erucic acid content and a meal free of toxic material (28), (34).

Zero-Zero varieties (zero erucic acid and zero glucosinolates) should be in commercial use before the end of the decade (28). The first low-erucic, low-glucosinolate variety, which represents a significant improvement in the quality of rapeseed meal as a feed protein supplement, was licensed in February 1974 (34).

The successful detoxification of rapeseed meal, either through processing or plant breeding, could lead to its being used for direct human consumption, much in the same way in which soybean protein is used in meat extenders, synthetic dairy and meat products, bakery products, snack foods, and other products (28).

Much of the research into plant breeding and product improvement and development has been conducted under the Rapeseed Utilization Assistance Program (RUAP), administered by RAC and funded by the Federal Government in the amount of about C$1.2 million during the 1968/69-1973/74 period (19), (28). A number of progress reports on the RUAP work have been published by RAC.

A C$4 million pilot Oilseed Research Center is to be located on the Saskatoon campus of the University of Saskatchewan. The pilot plant will develop new products and processing techniques for vegetable oils, proteins, and other crop derivatives. The Grains and Oilseeds Marketing Incentive Program of the Market Development Fund will contribute 90 percent of the capital cost of the project. Other financial contributions are expected to come from various Provincial Governments and private sources. The plant is expected to be in operation by 1976 (28).

According to RAC, existing research programs have led to the expansion of the Canadian crushing industry and to the development of products which have steadily increased their share of the Canadian market, and are competing for a larger share of export markets. Major emphasis is put on promoting the use of rapeseed meal to the maximum limit established by research for each type of livestock and poultry.

The use of rapeseed meal in feed preparations is fairly widespread in Canada, especially in the Prairies, but is well below its full potential in the countries that are the principal buyers of Canadian rapeseed. RAC feels that greater utilization of rapeseed meal in feed formulation abroad is of vital importance to the continued success of the program for the promotion of rapeseed exports.

In 1972, RAC published an updated version of a bulletin which contains recommendations on levels of rapeseed meal that can be used in rations for livestock and poultry (25). The bulletin, which was published in Japanese, German, Italian, and Spanish as well as English and French, was given wide distribution among feed formulators.

The Japanese Market

The effort to develop exports is worldwide, but emphasis has been on Japan, which buys more than half of the Canadian rapeseed crop and in excess of 60 percent of total Canadian rapeseed exports (table 6).

In fact, Canadian rapeseed is the second most important oilseed in the Japanese crushing industry, although well behind soybeans imported from the United States (27). RAC sent its first trade mission to Japan in 1968. Since then, trade barriers on Japanese imports of rapeseed--which the mission found as one of the major impediments to Canadian exports--have been removed. Import quotas were abolished in June 1971 and import duties in April 1972. Both measures greatly improved the competitive position of Canadian rapeseed relative to U.S. soybeans (19), (27).

Import quotas on rapeseed had remained in force long after they had been abolished for all other oilseeds except peanuts (27). Originally, the import quotas on rapeseed had been introduced to protect domestic farmers, but by the early 1970's the quotas had lost most of their purpose as Japanese rapeseed production has dropped drastically--from 264,000 metric tons in 1960 to 126,000 metric tons in 1965, and 13,000 metric tons in 1973 (table 10).

Since rapeseed import quotas were allocated among hundreds of processing plants located throughout Japan's farming regions, the quota system hindered the construction of large crushing plants near port facilities. This was to the advantage of existing small plants, some of which were operating at relatively low levels of efficiency. There were no such restraints to the construction of large modern crushing plants for soybeans and no indirect restrictions on the place where crushing plants could be profitably located, because there were no import quotas on soybeans and no allocations to individual plants (27).

When the duty on imports of rapeseed into Japan was abolished, the duty on soybean imports was also eliminated. Nevertheless, these measures benefited Canadian rapeseed more than they did U.S. soybeans, as the duty on rapeseed (about $13 per metric ton) was about two-thirds higher than the duty on soybeans (26).

In 1971 and 1972, in addition to the removal of trade restrictions, other factors contributed to the expansion of Canadian rapeseed sales to Japan. Japanese imports of cottonseed and sunflowerseed declined, mainly because of rising world prices for cottonseed and reduced availabilities of sunflowerseed from the USSR and Eastern Europe. Also, production of U.S. soybeans was relatively stable and world prices of soybeans tended to rise, while availabilities of Canadian rapeseed increased and the world price of rapeseed was dropping (27).

However, in the past several years the sharp decline in Japanese production of rapeseed appears to have been the most important single reason for the growth of Canadian rapeseed exports to Japan.

The year 1965 was the last time that Japanese production of rapeseed oil and meal from the domestic crop was higher than production from imported rapeseed. In 1966, rapeseed imports began to spurt, almost doubling the 1965 level. By 1973, Japanese imports of rapeseed were more than three times as large as in 1966 (table 10). The position of rapeseed imports has strengthened considerably in relation to imports of other oilseeds.

As a result of the steep increase in rapeseed imports, rapeseed oil production during 1966-73 increased at a much faster rate than did production of soybean oil or production of all edible vegetable oils. Rapeseed oil won back a share of the total vegetable oil market, accounting for 25 percent in 1973, compared with 17 percent in 1966 and 37 percent in 1960.

Table 10--Japanese production and imports of principal oilcrops, 1960-73

Year	Soybeans			Rapeseed			Total imports			
	Production	Imports		Production	Imports		Cottonseed	Copra	Sunflowerseed	Safflower
		Total	From US		Total	From Canada				
	1,000 metric tons									
1960	418	1,128	1,091	264	51	47	71	85	20	95
1961	387	1,158	1,102	274	20	20	100	80	17	73
1962	336	1,293	1,126	247	37	37	150	89	27	63
1963	318	1,544	1,314	109	88	86	168	108	12	196
1964	240	1,607	1,322	135	76	75	206	86	1	199
1965	230	1,847	1,465	126	101	92	217	94	4	113
1966	199	2,168	1,772	95	211	183	266	108	3	147
1967	190	2,170	1,771	79	215	196	216	112	96	127
1968	168	2,421	2,001	68	250	241	246	126	71	63
1969	136	2,591	2,214	48	276	248	244	109	90	35
1970	126	3,244	2,952	30	336	322	297	127	45	38
1971	122	3,212	2,927	23	407	406	248	122	37	42
1972	127	3,396	3,126	16	604	590	180	124	28	64
1973	118	3,635	3,210	13	687	683	159	134	5	41

Sources: Japan, Ministry of Agriculture and Forestry; and Ministry of Finance: Japan Exports and Imports.

Yet, during 1966-73, soybean oil accounted for most of the increase in Japanese production of edible vegetable oils (table 11) and most of the increase in Japanese production of vegetable oilmeal. 13/ In these same years, production of all edible vegetable oils rose by 407,000 metric tons; production of soybean oil increased by 231,000 tons; while rapeseed oil rose by 168,000 tons. In Japan, most rapeseed oil is consumed in liquid form for home cooking; only a small percentage is used to manufacture products such as margarine (34).

Total vegetable oilmeal production during the period went up by about 1.2 million metric tons, with soybean meal rising by 997,000 tons and rapeseed meal by 240,000 tons.

Thus, most of the Japanese increased demand for meal in animal rations has been met through greater consumption of soybean meal. The Japanese demand for meal has been increasing by about 5 percent annually in recent years, compared with an annual increase of about 3 percent for oil (26).

Japan is a typical example of a country where greater utilization of rapeseed is hindered by the restricted market for rapeseed meal as feed. The Japanese feed industry produces mainly for the poultry sector. Hogs are the next largest users of compound feed, using up more than dairy cows and beef cattle combined. However, the level of rapeseed meal recommended in feed formulations for poultry and hogs is lower than that recommended for cattle rations (25), (28).

The fact that rapeseed meal is better suited to meet the needs of those Japanese industries that are the smallest users of compound feed is not the major obstacle to further expansion of Canadian sales of rapeseed to Japan. For instance, rapeseed meal can be used up to 10 percent in dairy rations (28), and in the late 1960's compound feed production for dairy cattle about doubled in Japan, even though the number of dairy cows increased by less than one-third (27).

It is also pointed out that if the entire amount of rapeseed meal produced in Japan were to be mixed evenly into the total compound feed production (estimated at about 20 million metric tons in 1973), the resulting mixture would contain only about 1 percent rapeseed meal--a level which has no ill effect on any type of livestock or poultry (26). According to RAC the animal ration that should contain the lowest proportion of rapeseed meal is the one for sows during gestation or lactation. But even in this case, up to 3 percent of the feed formulation can consist of rapeseed meal (25).

At present, the major hurdle to the expanded use of rapeseed in Japan is said to come from the Japanese practice of utilizing most rapeseed meal as fertilizer on vegetables, citrus fruit trees, and tobacco rather than in feed formulations (26), (27). A 1970 RAC mission to Japan found that the demand for organic fertilizers had remained strong in Japan and had absorbed the increased rapeseed meal production, as of 1970. The mission also felt, however, that greatly expanded production of rapeseed meal would require other outlets (27). RAC has succeeded in initiating new research programs in Japan and is promoting the exchange of the latest scientific information in order to increase the use of rapeseed meal as feedstuffs (19), (27).

Use of rapeseed meal as feed can be expanded, especially when the low-glucosinalate varieties of rapeseed become available in large quantities. Improvement of processing techniques is also expected to help (19).

Estimates of amounts of rapeseed meal currently used as feed vary greatly, but it is believed that the amount used for feed in 1973 was perhaps 130,000 tons, or approximately

13/ Average rapeseed extraction rates are 38 percent for oil and 59 percent for meal, compared with soybean extraction rates of 18 percent for oil and 78 percent for meal.

Table 11--Japanese production of edible vegetable oils and vegetable oil meal and cake, 1960-73

Year	Edible vegetable oils					Vegetable oilcake and meal				
	Production of all edible vegetable oil	Soybean oil production		Rapeseed oil production		Production of all vegetable oilcake and meal	Soybean cake and meal production		Rapeseed meal and cake production	
		Total	From imported beans	Total	From imported seed		Total	From imported beans	Total	From imported seed
	1,000 metric tons									
1960	296	163	163	109	13	1,268	702	702	160	17
1961	471	169	169	115	10	1,311	703	703	166	13
1962	492	170	170	116	16	1,423	732	732	167	22
1963	535	211	211	73	36	1,621	913	913	109	53
1964	582	223	223	84	32	1,758	964	964	124	47
1965	600	256	256	93	42	1,864	1,100	1,100	136	61
1966	651	270	270	112	83	2,077	1,183	1,183	165	122
1967	704	290	289	114	87	2,236	1,265	1,262	172	131
1968	778	313	313	126	101	2,336	1,367	1,365	186	149
1969	793	349	349	132	114	2,460	1,520	1,519	189	163
1970	887	439	439	142	131	2,922	1,906	1,906	206	190
1971	947	440	440	169	161	2,959	1,912	1,912	245	233
1972	1,007	470	470	226	220	3,130	2,030	2,030	335	326
1973	1,058	501	501	265	261	3,292	2,180	2,180	405	399

Source: Japan, Ministry of Agriculture and Forestry.

one-third of production (26), compared with about 12,000 tons, or about 6 percent of production, in 1968 (table 12) 14/. Virtually all soybean meal produced in Japan is used for feed.

Needless to say, much of the rapeseed meal success, or lack of it, will depend on whether its price will be competitive with that of soybean meal. So far, on a protein basis, Japanese rapeseed meal has not generally been priced competitively with soybean meal (27). The competitive impact of the price of soybean meal and other sources of protein has been cushioned by the fact that rapeseed has been used primarily as fertilizer. Rapeseed meal has also commanded a premium over other fertilizers, partly because it is claimed by the Japanese that citrus fruit and tobacco taste better if fertilized with rapeseed meal rather than with chemical fertilizers (27).

However, if rapeseed meal is to be used primarily as protein meal, the price relationship to other high-protein meals is bound to become the key factor for the future growth of the rapeseed market in Japan.

Other Foreign Markets

Primarily through the work of incoming and outgoing missions, RAC has developed a demand for rapeseed and meal in a number of Asian countries other than Japan, especially the Philippines and South Korea (19). In 1972, South Korea bought 5,000 metric tons of Canadian rapeseed. RAC estimates that South Korea could use up to 30,000 tons of rapeseed meal per year for its hog and poultry sectors (34).

In South Korea, RAC has conducted a series of feed trials utilizing Canadian rapeseed meal. The aim of this project is to encourage substitution of rapeseed meal for other meals in poultry and hog rations. This project is being conducted in cooperation with the Canada Grains Council and in conjunction with the Grains Council's feed grain trial project (see p. 36) aimed at replacing corn with Canadian barley in poultry and hog rations (28), (33), (34) and seeking to promote barley-rapeseed meal combinations. According to a RAC 1974 interim report, results have been excellent (26).

Sales of rapeseed and its products have also been generated in Europe and Latin America (19) by outgoing and incoming trade missions of RAC.

In the fall of 1972 RAC held seminars conducted by Canadian animal nutritionists and feed formulators, in the United Kingdom, West Germany, France, Italy, the Netherlands, Spain, and Portugal, as well as in Mexico, Peru, and Chile (19). Part of the financing was provided by the Grains and Oilseeds Marketing Incentive Program of the Market Development Fund (19), (34).

Rapeseed meal for feed is fairly accepted in many EC countries, but Canadian exports have to compete with rapeseed from West Germany and France. In Europe, the market development program emphasizes the quality of Canadian rapeseed, as Canada is the only large-scale producer of low erucic acid varieties, and probably the leader in the development of the low glucosinolate varieties.

An EC import tax on rapeseed, introduced in July 1971, was dropped in February 1972, partly through the demonstrations of the Canadian Government, prompted by RAC (26), (33).

In Chile, Canada has achieved its first major breakthrough as a large-scale exporter of crude rapeseed oil. In January 1973, Chile purchased 11,000 metric tons of rapeseed oil valued at more than C$3 million. The sale was for cash, negotiated in Canadian dollars, rather than U.S. currency, the traditional monetary unit in export transactions (28).

14/ According to source (27) consumption as feed was 4,000 tons in 1968.

Table 12--Supply and disposition of rapeseed meal and production of mixed feed in Japan, 1968-73

Item	1968	1969	1970	1971	1972	1973 3/
	1,000 metric tons					
Stocks on Jan. 1	10.0	10.5	5.3	10.1	14.6	29.4
Production 1/	186.0	188.5	206.3	245.3	335.0	386.0
Imports	--	--	0.5	13.4	6.5	8.0
Total supply	196.0	199.0	212.1	268.8	356.1	423.4
Domestic disappearance 2/						
For feed	12.0	12.0	18.0	40.0	100.0	130.0
For fertilizer and other uses	173.5	181.7	184.0	214.2	226.4	234.0
Subtotal	185.5	193.7	202.0	254.2	326.7	364.0
Stocks on Dec. 31	10.5	5.3	10.1	14.6	29.4	59.4
Mixed feed production	11,356	13,362	15,076	15,693	17,345	20,000
	Percent					
Percent of rapeseed meal used as feed	6.5	6.2	8.9	15.7	30.6	35.7
Rapeseed meal used as feed as percent of mixed feed production	0.1	0.1	0.1	0.3	0.6	0.7

1/ Including meal from imported rapeseed.
2/ No exports of rapeseed meal reported.
3/ Preliminary.

Source: Prepared by the Office of the U.S. Agricultural Attache, Tokyo, Japan.

The sale was made by Agra Industries Limited of Nipawin, Saskatchewan, following the visit of the RAC seminar team (19), (28), (32), (34).

In anticipation of future vegetable oil exports, Agra Limited is constructing tank facilities at Canadian ports to enhance Canada's competitive position in third-country markets. As of early 1973, a vegetable oil tank was available at Vancouver, but there were no such tanks either at Thunder Bay or at eastern ports (28).

According to RAC, demand for Canadian rapeseed oil is increasing steadily, especially in the countries along the Pacific rim (34). Favorable prospects are also seen for rapeseed meal exports. Prior to January 1973, Canadian exports of rapeseed oil and meal were not reported separately in Canadian trade statistics but were included in the general category "Not elsewhere specified." Due to the growing importance of exports of these products, data are now shown under separate classifications. As previously noted, the railroads have been ordered to lower freight rates from the Prairies to export point for rapeseed meal and oil for export.

The Canadian Market

RAC has also been promoting the use of rapeseed at home, primarily in competition with soybeans, a large share of which is imported from the United States. Crushing of rapeseed and production of rapeseed oil have increased rapidly in Canada since 1960 (table 13). In 1972, production of rapeseed oil surpassed that of soybean oil, but in 1960, it was only 4 percent of the soybean oil output. The use of rapeseed oil in margarine, shortening oil, and salad oil has also moved ahead of soybean oil (table 14).

In general, the major Canadian export development programs and the related programs for product development affect U.S. exports--actual or potential--in third markets only, but some of the expansion in the Canadian utilization of rapeseed has probably occurred at the expense of U.S. exports of soybeans and soybean oil to Canada. Virtually all Canadian imports of soybeans and soybean products come from the United States.

Canada's imports of U.S. soybeans and soybean oil dropped in 1972 (table 13), concurrently with the sizable increase in Canadian crushings of rapeseed. But, the 1972 imports were still higher than in some previous years and imports of soybean oil were larger than in any year during the 1960's. A larger drop in imports of soybeans occurred in 1973. This may have been partly due to the temporary export restrictions placed by the United States in mid-1973. Canadian imports of soybean oil from the United States picked up in 1973.

It has been anticipated that Canadian imports of U.S. soybeans may level off in the near future, and that imports of U.S. soybean oil will trend downward, eventually dropping to zero (28). But the reduced potential for U.S. soybeans and soybean products in the Canadian market is not due entirely to the challenge from rapeseed. Increased and more direct competition has come from the Canadian soybean crop, which grew from an average of 5.8 million bushels in 1960-61 to an average of 14.2 million bushels in 1972-73.

Other developments in the soybean sector are having a direct impact on U.S. exports of soybeans and soybean oil to Canada. In the past, substantial amounts of soybeans were imported into Canada for reexport to the United Kingdom, where Canadian soybean products--but not soybeans--enjoyed Commonwealth preference. With the entry of the United Kingdom into the EC and the resulting termination of preferential tariffs for Canada, the incentive for crushing imported soybeans in Canada is being eliminated. Since the United Kingdom is Canada's only sizable outlet for soybean oil and meal, and since these Canadian products will encounter greater difficulties in maintaining access to the U.K. markets, U.S. exports to Canada are also expected to suffer.

Table 13--Canadian crushings of rapeseed and soybeans; production of soybean and rapeseed oil; and imports of U.S. soybeans and soybean oil; 1960-73

Year	Soybeans				Rapeseed	
	Total crushings 1/	Oil produced	Soybean imports from U.S. 2/	Oil imports from U.S. 2/	Total crushings	Oil produced
	1,000 metric tons					
1960	467	84	414	16	9	3
1961	419	74	313	10	27	9
1962	474	82	379	9	34	13
1963	494	85	386	13	36	14
1964	564	91	497	16	40	15
1965	532	90	432	14	60	23
1966	546	90	431	11	97	38
1967	573	98	438	10	114	46
1968	523	87	299	10	131	53
1969	568	96	405	10	169	68
1970	674	115	442	23	178	70
1971	648	113	425	23	221	87
1972	614	103	308	17	300	115
1973	558	91	232	19	386	145

1/ Including amounts from imports.
2/ Virtually all Canadian imports of this product are from the United States.

Source: (39), and Statistics Canada. Oilseed Review, Quarterly. Catalogue 22-006, Ottawa.

Table 14--Canadian production of deodorized vegetable oils for use in the manufacture of margarine, salad, and shortening oils, 1966-73

Year	Production				
	Deodorized vegetable oils	Rapeseed oil		Soybean oil	
		Total	Percent of total	Total	Percent of total
	1,000 lbs.	1,000 lbs.	Percent	1,000 lbs.	Percent
1966	405,750	102,331	25.2	152,097	37.5
1967	405,777	101,742	25.1	153,708	37.9
1968	422,073	116,692	27.6	146,174	34.6
1969	458,752	135,535	29.5	153,909	33.5
1970	468,937	130,296	27.8	182,943	39.0
1971	451,132	160,477	35.6	143,275	31.8
1972	529,152	212,027	40.1	144,921	27.4
1973	586,713	237,686	40.5	173,341	29.5

Source: (37).

By and large, exports of soybeans and soybean oil are expected to be affected more than exports of meal. Though generally a net exporter of soybean oil, Canada has traditionally been a net importer of soybean meal. It should remain a sizable importer even without reexports to the United Kingdom.

Domestic demand for soybean meal is expected to expand, and competition from rapeseed meal is not as strong as in the case of rapeseed oil vs. soybean oil. Aside from the limitations on the use of rapeseed meal in feed formulations, the meal extraction rate of rapeseed is lower than that of soybeans. In 1972, when production of rapeseed oil exceeded output of soybean oil by more than 26 million pounds, rapeseed meal production--at nearly 192,000 short tons--was equal to only 36 percent of the soybean meal production.

Ontario Flue-Cured Tobacco Growers' Marketing Board

Canada is normally the third or fourth largest exporter of flue-cured tobacco in the world, and flue-cured tobacco accounts for roughly 97 percent of Canadian exports of unmanufactured tobacco. Nearly all exports originate in southern Ontario, which produces about 93 percent of Canadian flue-cured tobacco. Four countries in the Tillsonburg-Delhi-Aylmer region, near London, grow virtually the entire crop.

Production of Ontario's flue-cured tobacco is controlled by and marketed through the Ontario Flue-Cured Tobacco Growers' Marketing Board (OFCTGMB). Each year, with the help of Canadian tobacco manufacturers, the Board determines domestic and export requirements and assigns acreage quotas to farmers.

Estimates of export requirements are important in determining acreage allotments, since 30-40 percent of production is exported. As part of the process to determine foreign requirements, each year the Board sends a mission to the United Kingdom to meet with that country's Tobacco Advisory Committee. The mission generally goes on to meet with tobacco manufacturers in other West European countries.

The United Kingdom is by far the largest market for Canadian unmanufactured flue-cured tobacco (table 15). Sales to the United Kingdom received a boost in the second half of the 1960's, after the United Kingdom banned imports of Rhodesian tobacco. During 1969-73, on the average, the United Kingdom took nearly 81 percent of total Canadian exports. Until a few years ago, the Board's efforts to promote the use of Ontario's flue-cured tobacco were essentially limited to the U.K. market, where the Canadian product was--and is--highly acceptable to consumers and enjoyed the advantages of the Commonwealth preferential tariff.

The Board began expanding its promotional activities in other parts of the world when it became certain that Great Britain would join the EC at the start of 1973. The Board then feared that with entry into the EC, Canada would have difficulty in maintaining access to the U.K. market. Exports to the United Kingdom did drop in 1973, but the decline was partly due to a severe drop in the 1972 production, which greatly reduced export availabilities in 1973.

However, British manufacturers have indicated that their purchases from Canada's 1973 and 1974 crops will be at record or near record high levels. Also, Canadian flue-cured tobacco will enjoy part of the Commonwealth preferential tariff for a somewhat longer period than had been expected. The harmonization period--i.e., the adjustment of U.K. policies to conform with the EC's Common Agricultural Policy--has been extended from three to five years and should give Canada more time to adjust to the new market conditions (28). There seems to be a new feeling in the Canadian tobacco sector that the adverse impact of the United Kingdom's entry into the EC can be overcome. Nevertheless, some concern over the long-term impact remains.

Table 15--Canadian exports of unmanufactured tobacco, 1963-73

Item	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
						1,000 pounds					
Flue-cured:											
United Kingdom	27,814	33,756	32,536	30,475	34,971	40,262	44,628	40,101	41,487	38,740	33,148
West Germany	2,499	3,200	332	906	713	65	88	15	1,180	1,640	86
Netherlands	742	764	418	376	603	414	909	482	567	1,225	680
United States	423	548	680	391	816	1,556	1,068	2,524	1,240	4,852	4,725
Hong Kong	381	238	1,064	65	97	223	133	249	472	391	435
People's Republic of China	---	---	---	---	---	---	---	---	---	654	1,300
Other	3,733	10,168	3,824	3,418	4,061	3,903	4,264	3,999	3,589	3,856	4,762
Total	35,592	48,674	38,854	35,631	41,261	46,423	51,090	47,370	48,535	51,358	45,136
Other unmanufactured tobacco	3,717	3,801	2,646	2,221	1,648	954	1,280	1,271	3,052	1,670	1/190
Total	39,309	52,475	41,500	37,852	42,909	47,377	52,370	48,641	51,587	53,028	1/45,326

1/ Does not include exports of burley, which averaged 592,000 pounds in the previous two years.

Source: (38).

In 1972, OFCTGMB approved the establishment of an export development fund, which is used to subsidize sales of Canadian tobacco to all foreign markets. The export development fund is administered by OFCTGMB, and is part of a new price system proposed by Canadian manufacturers through their Tobacco Advisory Council. The Canadian Tobacco Advisory Council was formed in 1971.

Under the new system, farmers are assured of a guaranteed price for most of the crop, and the tobacco manufacturers contribute 1 cent to the export development fund for each pound of tobacco purchased from the farmers. This money is then paid back to those firms which export tobacco, on the basis of their share of total exports, allowing them to lower their export prices (28). Assuming annual purchases of 200-250 million pounds, total amounts contributed to the export development fund are roughly C$2.0-2.5 million per year (28). The Board has indicated that the Federal Government should match the industry's contribution to the export development fund.

As part of its broadened export development activities, the Board indicated in March 1972 that it was making unprecedented efforts to encourage worldwide exports of Canadian tobacco (28). In May 1972, it announced that the People's Republic of China had purchased about 600,000 pounds of Canadian flue-cured tobacco. This purchase was largely the result of the Board's attempts to tap a potentially large, non-traditional export market. The sale came 6 months after the Board's first exhibit of Canadian leaf at the November 1971 Kwangchow Trade Fair (see p. 28). The deal was completed at the April 1972 fair (28). The Board had an exhibition at the 1972 Canadian Solo Fair in Peking.

Total Canadian exports of flue-cured tobacco to the People's Republic of China were 645,000 pounds in 1972 and 1.3 million pounds in 1973. Board officials envision a yearly market of up to 20 million pounds of Canadian tobacco in China. Chinese flue-cured tobacco is a filler-type product with bland aroma and flavor. High-quality tobacco is needed to upgrade Chinese cigarettes. Board officials reportedly believe that China may expand its exports of cigarettes, and will need to buy high quality tobacco if its cigarette export drive is to succeed (32).

When announcing the May 1972 sale to China, the Chairman of OFCTGMB said that before World War II China traditionally imported about 150 million pounds annually from the United States. With this history of exports from the United States to China, the Board's representatives thus attached much significance to selling tobacco to China before the United States reentered the market 15/ (28).

In the past few years, trade mission or teams from OFCTGMB have visited various countries to promote sales of tobacco. Countries visited include Japan, Australia, West Germany, France, Sweden, Spain, the Netherlands, Belgium, Italy, Australia, Norway, Libya, Hong Kong, and East European nations. Trips to most of these countries have been made by members of the annual mission to the Tobacco Advisory Committee in the United Kingdom.

At the end of 1973, a mission to Japan and to the PRC reported that increased sales of Ontario flue-cured tobacco to those two countries are expected in future years, but no figures were announced by this mission (28). Prior to the mission's visit to Japan, representatives of the Japan Monopoly Corporation had been at the tobacco auctions in Canada, making their first purchase of Ontario flue-cured leaf in about a decade.

The Board had an exhibit of flue-cured tobacco at the Leipzig Fair in 1973 and 1974, and also had an exhibit at the 1972 World Tobacco Symposium at Geneva (28).

15/ The United States has now reentered the Chinese tobacco market. Our exports were 1,197,000 pounds of flue-cured leaf in 1973, and 2.2 million pounds in 1974.

Hog Marketing Organizations

Canada exports and imports substantial quantities of pork. Imports come mainly from the United States. They have varied from about 90 million pounds in 1963 (dressed carcass basis) to approximately 17 million pounds in 1971 (table 16).

Since 1951, when the United States replaced the United Kingdom as Canada's major foreign outlet for pork, Canada has been a net exporter of pork, except in 1963 and 1969. Net exports averaged 1.7 percent of production in 1964-68 and 4.7 percent during 1970-72. Japan is Canada's second largest foreign market for pork, though well behind the United States. Sales to the United States remained virtually stable in the early 1970's, but exports to Japan soared.

Exports of Canadian pork to Japan originate mainly in the Prairie Provinces. Initially, the successful penetration of the Japanese market was largely the result of vigorous campaigns by private trading firms. More recently, the Manitoba Hog Producers Marketing Board, the Alberta Hog Producers Marketing Board, and the Saskatchewan Hog Marketing Commission (which began operation in August 1973) have taken an active role in selling pork to Japan. These organizations operate in close cooperation with their respective Provincial governments and with private export companies. The Canadian success in the Japanese market is also the result of rising Japanese demand for all meats and the removal of quantitative restrictions on pork imports in October 1971. (However, high import duties may still be levied.)

When the Japanese market was beginning to open up in 1971, the farm price of Canadian hogs had dropped--for the first time in at least a decade--to a level low enough to automatically trigger the mechanism for deficiency payments by the Federal Government. The depressed Canadian market for hogs in 1971 had been preceded by 2 years of exceptionally high growth in hog numbers in the Prairie Provinces. 16/ With production in the Prairies at levels higher than the North American market could absorb at profitable prices, the opening up of the Japanese market suddenly provided enticing sales opportunities, and a good deal of the foreign sales promotion effort was turned toward this promising new market.

Promotion efforts aimed to the U.S. market continued unabated, however. Export promotion campaigns in the United States are conducted by the Ontario Pork Producers' Board, and the Federal Government, as well as agencies of the Prairie Provinces.

16/ During 1969 and 1970, the unprecedented growth in the Prairies' hog numbers was stimulated by high hog prices and low returns from grains. In the Prairies, hog numbers rose by 26 percent in 1969, to a total of 2.95 million. In Ontario--Canada's other major hog raising area--the increase was only 4 percent. In 1970, hog inventories rose 32 percent in the Prairies--reaching 3.9 million--and 5 percent in Ontario. Total hog inventories were somewhat lower in following years, but remained above the 1969 level. The total number of hogs on farms in the entire country during 1967-73 was as follows (in thousands) at the end of each year: 1967--6,058; 1968--5,695; 1969--6,458 (the highest number on farms since 1958); 1970--7,701 (the second highest number of hogs on record since Canada began reporting number of hogs at the start of the century); 1972--7,301; 1973--6,997.

A definite and apparently permanent shift in the location of hog production has occurred. The three Prairie Provinces now account for nearly half of the hog numbers, compared with about two-fifths during most of the 1960's. An increase is also expected to occur in the number of Prairie hog producers planning to remain in the business. In the past, many hog producers from the Prairies were "in-and-outers," going into hog raising only to dispose of surplus grain. Now, however, it appears that many recent entrants plan to remain in the business (22), (33).

Table 16--Canadian hog production and trade, 1963-73

Year	Production	Exports				Imports		
		United States	Japan	Other	Total	United States	Other	Total
	Millions of pounds 1/							
1963	981	47	--	5	52	88	2	90
1964	1,060	51	--	8	59	54	--	54
1965	1,007	56	--	6	62	29	9	38
1966	1,014	46	--	5	51	25	13	38
1967	1,181	55	--	6	61	28	1	29
1968	1,181	56	1	5	62	40	1	41
1969	1,134	50	4	4	58	68	3	71
1970	1,328	61	6	5	72	24	2	26
1971	1,511	67	20	11	98	15	2	17
1972	1,393	62	45	9	116	35	10	45
1973 2/	1,350	68	47	11	126	44	3	47

1/ Dressed carcass weight.
2/ Preliminary.

Sources: (32), (38), (39), and Statistics Canada, Livestock and Animal Products Statistics, 1972. Catalogue 23-203. Ottawa.

Although Japan plans to become 88-percent self-sufficient in red meat by 1980, many Canadians feel that, because of the large size of the Japanese market, there is potential for expanded sales of Canadian pork to Japan even after 1980 (29).

Since the opening up of the Japanese market, representatives of the Prairie governments and hog marketing organizations have made several trips to that country (see pp. 46,48) some of these trips have resulted in return visits by representatives of a number of Japanese trading companies.

At the start of the Canadian promotional effort in Japan, the focus was on identifying Japanese marketing practices, consumer preferences, and costs of production. Special programs had to be designed in Canada to assure stability and planned expansion of supplies to the Japanese market.

Assuring stability of supplies through long-term contracting is a departure from past practices of the Canadian hog sector. In previous years, export markets were generally sought only to dispose of occasional surpluses that could not be sold at home. Reportedly, this created the impression that Canada was a very unreliable supplier (29). Because of uneven availability of pork, it was often impossible for Canadian exporters to service foreign accounts adequately (29).

In Alberta, a 3-year contract signed in 1973 calls for monthly exports of 250 carcasses to Japan at a base price of C$40.00 per hundredweight. Under Alberta's export contracting system, producers offer 1 to 5 year commitments to foreign buyers, using a teletype system to designate the number of hogs available, desired years of commitment, and minimum prices. The base price is established in the sales contract, but a flexibility formula is applied to relate pork prices to fluctuations in feed costs. Both buyer and producer guarantee compliance with the terms of the contract by posting performance bonds (32).

The Alberta Hog Producers' Marketing Board and the Alberta Export Agency participated in the negotiation of another long-term contract between Canadian and Japanese firms. The contract, signed in the spring of 1974, after several months of negotiations, involves shipments of pork from 150,000 hogs. Exports began in April 1974. The price to producers was established in the range of C$48.00 to $56.75 per hundredweight dressed, over a period of 2 years.

In the spring of 1974, Alberta also announced that an undisclosed amount of pork would be exported to Cuba (28).

The Manitoba and Alberta Hog Marketing Boards have negotiated long-term contracts for pork exports. The Manitoba Board reached agreement in December 1972 with Japan's C. Itoh & Co. for delivery of 48-80 million pounds of pork over a period of 3 years, starting in the spring of 1973. The total value of this transaction is to be C$18 to $30 million (28), (32), (33), (35).

Manitoba's pork export contracting mechanism is controlled by the Hog Board rather than by the direct decisions of individual farmers. Prices are based on average domestic prices in the 2 months immediately preceding the export sale. Hogs required to fill the sales order are taken off the market daily in specified numbers. Export returns are pooled so that each hog producer receives a share of the proceeds from sales to Japan (32). However, details of the exact price and volumes involved in the contract between the Manitoba Board and C. Itoh & Co. have not been released. This has created considerable controversy among producers (33).

A new interprovincial export agency, named ExPork Canada West, was established by Manitoba and Saskatchewan in 1973. The new agency, which acts on behalf of the Manitoba Board and the Saskatchewan Commission, is headquartered in Saskatoon. It will develop export markets, promote pork products abroad, conduct market research, and coordinate pricing strategies and methods in the two Provinces (32), (33), (35).

It has been advocated by some of the parties involved that Alberta should join the new agency in order to achieve broader coordination of pork exports from the Prairies (33), (35). Combined marketings from the 3 Provinces could result in sales of roughly 5 million hogs per year and provide resources to bid on large contracts (32) 17/ Establishment of a national agency for coordinating pork exports has also been advocated (33).

Among export promotion activities undertaken at the national level, the Federal Department of Agriculture has entered into formal consultation arrangements with the Canadian Pork Council for the formulation of national pork policies, including policies for foreign market development. Initial attention in the export development area is focused on specialized markets in the United States (33).

In the long run, Canadian pork sales are likely to continue strong both in the United States and in other markets.

Unlike Canada, the United States is a sizable net importer of pork. Nevertheless, we export substantial amounts to Japan. Our exports of fresh pork to Japan rose rapidly after the lifting of that country's quantitative import restrictions, but pork from Canada and other nations has undoubtedly cut into our exports to Japan.

In terms of weight, Japanese imports of U.S. pork in 1972/73 were almost twice as large as Japanese imports of Canadian pork. But imports from Canada have risen a little faster than imports from the United States (table 17). In 1972/73, imports from Canada were seven times higher than in 1970/71; imports from the United States were five times higher. Taiwan and Australia have also expanded their sales by huge amounts, and Taiwan has moved ahead of Canada in terms of quantity.

The U.S. share of the Japanese imports, in terms of weight, dropped from 46 percent in 1970/71 to 39 percent in 1972/73; the Canadian share went from 18 to 21 percent.

However, the new export marketing systems in Western Canada, with their forward export contracting and long-term export commitments, have placed Canadian buyers in more direct competition with export customers. In the latter part of 1972 and during 1973, a strong Canadian demand for pork and higher exports to Japan, coupled with a drop in Canadian pork production, pushed up the price of Canadian pork and stimulated a sharp increase in Canadian imports of U.S. pork. Sales of U.S. pork to Canada rose form 13.6 million pounds (product weight, excluding canned pork) in 1971 to 31.5 million pounds in 1972 and 43.4 million pounds in 1973, compared with a 1968-70 average of 41.4 million pounds. On a fiscal year basis, U.S. exports rose from 15.9 million pounds in 1971/72 to 41.2 million pounds in 1972/73. U.S. pork exported to Canada moves mainly from the Midwest to the Canadian eastern Provinces.

Fruit and Vegetable Organizations

The British Columbia Tree Fruits Association (B.C. Fruits) promotes fruit exports, primarily apples, and to a lesser extent, pears, cherries, peaches, apricots, and plums. B.C. Fruits is cooperatively owned by growers in the Okanagan region, which accounts for about 90 percent of fruit production in British Columbia (28). The Canadian Horticultural Council (a nationwide producers association) is the other major organization engaged in promoting fruit and vegetable exports. Most of the Council's foreign promotional effort is also centered on apples.

Canada is normally a net exporter of apples. During 1968/69 - 1972/73, exports averaged roughly 110 million pounds, imports 77 million. Apples are shipped annually to 30 to 40 world markets, but the United States is by far the major outlet, followed, well behind by the United Kingdom and Hong Kong.

17/ As of early 1975, however, ExPork was reported as not very active.

Table 17-- Japanese imports of pork (fresh or frozen) by principal sources, fiscal years 1971-73

Country of origin	Quantity			Value		
	1970/71	1971/72	1972/73	1970/71	1971/72	1972/73
	Metric tons			1,000 dollars		
United States	6,817	23,754	40,605	7,922	27,518	69,623
Canada	2,706	18,053	21,543	4,089	25,328	44,026
Taiwan	3,149	1,696	23,035	3,656	5,115	40,052
Australia	538	2,355	16,258	483	2,616	20,319
Other	1,685	4,355	2,936	2,125	3,988	19,546
Total	14,895	50,213	104,377	18,275	64,565	193,566

Source: Japan, Ministry of Finance. Japan Exports and Imports.

Several varieties are exported, including McIntosh, Red Delicious, Northern Spy, Cortland, and Winesap. The Canadian apple industry has introduced a number of improvements for packaging and shipping apples, such as the cell pack carton and the telescopic master container (7).

B.C. Fruits handles about three-fourths of Canada's apple exports. Promotional efforts generally involve advertisements in trade papers, but occassonally the organization participates in trade exhibits and offers in-store display material to the retail trade. Radio and television announcements, as well as advertisements in the daily press, are also used in specific areas, generally in the United States (28).

In the past, Canada sought export markets for fruit only when there were excess supplies at home. Now, however, B.C. Fruits is working with the Federal Government to develop permanent markets for Canadian apples in Japan and in apple producing countries in the Southern Hemisphere, such as New Zealand, Australia, and South Africa (28). It is felt that Canadian fruits may find a market in these Southern Hemisphere countries during the winter season, after the end of their storage season. Conversely, these countries from the southern half of the globe seek to supply Canada during its winter season (28), (33). B.C. Fruits is also said to be interested in developing a market for Canadian apples in the People's Republic of China.

Technical missions sponsored by the Federal Government were sent in 1971 to Japan, New Zealand, Australia, and South Africa to try to eliminate health and sanitation restrictions on the entry of Canadian apples into those countries. Import barriers had been set up in New Zealand against the apple maggot and in Australia against the fire-blight. Since the missions' trips, New Zealand has purchased sizable amounts of Canadian apples as part of two-way trade; and small quantities have been sold to Australia. South Africa, which had previously banned imports of Canadian apples, reportedly has agreed to readmit them as a result of the evidence submitted by the Canadian mission that adequate measures are taken in Canada against mites and other insects before shipment (28). However, as of mid-1974, no exports of Canadian apples to South Africa had been reported.

Japan, a large apple producer, prohibits imports of Canadian apples because it fears introduction of the codling moth. The Japanese have indicated that if Canada can provide scientific evidence to satisfy Japanese regulations, provision can be made for entry of Canadian apples (7). Access to the Japanese apple market remains a matter of concern to IT&C (Department of Industry, Trade and Commerce) (7). Officials of B.C. Fruits are also said to be hopeful that health and sanitation barriers can be lowered in Japan and in the other markets which Canada is seeking to penetrate (28).

The Canadian Horticultural Council has received some financial aid from the Federal Government to mount promotional campaigns for Canadian apples abroad. In 1972, IT&C contributed C$20,000 for a promotional effort focusing on Caribbean markets. The industry contributed C$10,000. The promotional material for this campaign was handled by the Canadian Foreign Trade Commissioners (28).

In 1973, the Horticultural Council and IT&C carried out a cooperative advertising program for Canadian apples in the United Kingdom, under the Agricultural and Food Products Market Development and Assistance Program of the Market Development Fund. The Government contributed C$18,500 to this C$25,000 project (28). The Horticultural Council has had promotional campaigns in the United Kingdom for a number of years (28).

Other Organizations

Numerous other organizations engage in some form of export promotion. In most cases, however, their projects are limited in scope and often consist of one-time operations. This section deals with only a few of such organizations and activities.

Ontario Bean Producers' Marketing Board

Fewer than 3,000 farmers in southern Ontario grow virtually all the white (navy) beans produced in Canada. The entire Ontario crop is marketed through the Ontario Bean Producers' Marketing Board.

The Board's involvement in export promotion is relatively new. Production--which now stands at roughly 3 million bushels per year--has trended up in the past decade while total and per capita domestic consumption have trended down. During this same period, export sales have fluctuated considerably, but they too have shown a marked upward trend:

Crop year	CWT	Crop year	CWT
1963/64	218,000	1968/69	555,760
1964/65	397,000	1969/70	648,144
1965/66	579,000	1970/71	716,870
1966/67	669,000	1971/72	980,552
1967/68	300,000	1972/73	1,100,000

The share of production going into exports rose from an annual average of 38 percent in 1963-65 to 61 percent in 1970-72. Ontario now vies with Michigan for first place among the world's leading exporters of navy beans.

The United Kingdom has traditionally taken virtually the entire amount of Canadian exports of navy beans. Prior to the United Kingdom's entry into the EC, Canadian navy beans enjoyed a 4-percent tariff advantage over beans from the United States and other non-Commonwealth countries. This tariff advantage is being gradually reduced. It will

be completely eliminated by 1977, when all navy beans from non-EC countries will be subject to the same duty.

The anticipated loss of Commonwealth preferences, with the resulting need to compete with the United States on an equal basis, together with the uptrend in domestic production and the downtrend in domestic utilization, may have been some of the factors that prompted the Board to take a more active role in the field of foreign market development. The Board expects that the United Kingdom will remain by far the most important market for Ontario's navy beans, but new outlets are being sought.

The Board's first foreign trade development mission was sent out in 1972. The mission visited West Germany, Belgium, the Netherlands, Norway, Sweden, and France in addition to the United Kingdom. These visits were followed by trips by Canadian foreign trade dealers (23), (28). In 1973, another trade mission sought new markets in North Africa and the Middle East (28).

Canadian navy beans have also been displayed in Japan through the services of the Federal Government. Surveys of market potential have also been made in a number of countries in which no sales had been made (23).

The Board is now empowered to make forward sales and to offer beans on a two-price system, to remain competitive in both the domestic and export markets (23), (24).

Western Grain Cooperatives

Grain producers' cooperatives have played an important role in the development of the Canadian grain marketing system as it exists today, and in the establishment of grain export regulations. Cooperatively-owned firms own and operate most of Canada's grain handling and storage facilities. In carrying out this type of marketing operations, they act as agents of the Canadian Wheat Board.

United Grain Growers, whose beginning dates back to 1906, was the first of the cooperatively owned elevator companies. The Alberta Wheat Pool, the Manitoba Pool Elevators, and the Saskatchewan Wheat Pool are the three other major companies owned by farmers' cooperatives. Together, these 4 companies handle more than 75 percent of Canadian grain and oilseeds. They also engage in numerous agribusiness activities.

Their direct involvement in export promotion as such is generally limited. By and large, it consists of hosting visiting grain trade missions which are usually organized and funded by the Wheat Board (28). The four organizations also provide--either jointly or individually--technical and financial assistance to outgoing Canadian trade missions, or send out their own technical personnel to assist foreign rapeseed crushers (28).

In 1970, the four firms set up a joint export sales company. The new export company--called Excan Grain Limited (Xcan)--had an authorized capitalization of C$1 million, contributed equally by each of the four parent companies (28). In 1974, the three pool organizations took over the share of United Grain Growers, by mutual agreement (35).

Xcan's primary objective is to maximize exports of Canadian grain and oilseeds. Xcan sells only grains and oilseeds of Canadian origin. Although the Canadian Wheat Board has tended to handle directly an increasingly larger share of its exports, Xcan has been generally successful in expanding its own operations. It now handles perhaps 20 percent of Canada's grain exports and a large share of rapeseed exports. Its aim is to become Canada's principal grain and oilseed trader in world markets.

As part of its program to help find new outlets for Canadian products, Xcan has extended financial and technical assistance to a flour mill project in Venezuela (see pp.74-75)

Xcan has also given financial assistance to the feeding trials in South Korea for Canadian barley and rapeseed in poultry rations.

Canadian Seed Growers Association (CSGA)

A private, nonprofit organization, CSGA is a producers association representing growers of pedigreed seed crops. CSGA is empowered by Federal legislation to set standards for the production of seed crops. Its primary function is the production of high quality seed for grain, oilseeds, and forage crops. However, in recent years, the association has devoted some effort to export promotion.

A Market Development Fund in the amount of C$50,000 was set up in 1971. The United States, which takes about 70 percent of Canada's seed exports, is the market of major interest, but attention has also turned to China (see p. 26), and Japan. A promotional movie of the association, "Raise More for Less," has been translated into Mandarin Chinese. The movie was shown at the 1972 Canadian Solo Trade Exhibit in Peking and is used for other promotional purposes in China (28).

In 1972, CSGA sponsored a technical mission to Japan to evaluate the potential for Canadian forage seed in that country. Some of the conclusions reached by the mission were that: 1) Japan's seed requirements will continue to increase because Japan plans to direct large areas of farmland to grass; 2) Canada could have a sales advantage over the United States since Canada has one national overall seed certification program, while in America the individual States have their own programs; 3) Canada should grow Japanese forage seed varieties on a contract basis; and 4) Canada should establish testing programs to determine which varieties of interest to the Japanese can be grown in Canada. The value of Canadian forage seed exports to Japan is generally less than 10 percent of the value of the same category of products exported to Japan by the United States (28).

Cattle Associations

Numerous beef and dairy breed associations are also involved in foreign market development, including participation in exhibits abroad, foreign travel, and hosting livestock visitors from outside Canada. Generally, these activities are partially funded by the association concerned. Total expenditures for market promotion by the beef and dairy cattle associations average approximately C$40,000 per year, but they can be as high as C$200,000-C$250,000 per year (28).

Four western livestock cooperatives have formed a consortium--called Western Cooperative Livestock Markets--whose objective is to provide better marketing services for the 70,000 livestock producers they represent. Improved market reporting service and improved livestock transportation to eastern Canada and to export markets will be sought. The B.C. Livestock Cooperative, the Alberta Livestock Cooperative, and the Livestock Divisions of the Saskatchewan and Manitoba Pools are the parent organizations of Western Cooperative Livestock Markets. Greater use of export agencies owned by producers' groups is anticipated (28).

Representatives of the Alberta Holstein Breeders have visited Cuba during recent years to promote sales of purebred animals. Since the early 1960's, Canada has exported about 21,000 Holsteins to Cuba. Approximately 11,000 of them were shipped during 1969-73. By crossbreeding Canadian Holsteins with Zebu bloodlines (which are more resistant to tropical pests and diseases), the Cubans are attempting to develop a dual-purpose (beef and milk) animal, five-eights Holstein (28).

Palliser Wheat Growers' Association

This organization, in cooperation with the Canada Grains Council, sent a factfinding mission to Japan and Southeast Asia in the fall of 1972. Recommendations of this mission include: Establishment of a feed grain and rapeseed meal testing program for poultry and hogs in Japan and continuance of the program started in South Korea; greater effort to develop good quality feed barley tailored to markets in the Pacific rim; development of rapeseed with low erucic acid but higher oil content than present low erucic acid varieties; development of semi-hard and soft wheats for noodles, cake, cookies, and biscuit making; and development of alfalfa with protein content higher than 20 percent (35).

In 1973, the Association coordinated the visit of a Korean trade delegation touring Canada as a result of the interest generated by the feeding trials of Canadian barley and rapeseed being conducted in Korea (28).

FOREIGN INVESTMENT FOR PURPOSES OF FARM EXPORT PROMOTION

Canadian Investment Overseas

Canada's direct, long-term investment abroad totaled C$6.1 billion in 1970 (official Canadian statistics). More than half was in the United States, and about 85 percent of total investments was in manufacturing, utilities, petroleum, and mining. Only a negligible share was in agriculture and related activities.

In the late 1960's and early 1970's, when Canadian grains and oilseeds were in a very competitive world market situation, the Government and the agribusiness sector began directing their attention to investing abroad, or providing financial aid to foreign companies for the construction of handling and processing facilities, in order to promote exports of raw agricultural materials.

As mentioned earlier, aims of the Grains and Oilseeds Marketing Incentive Program include promotion of investments in the construction of handling and processing facilities. When the program was started, it was intended that investment in this type of facilities would be mainly for wheat in developing countries and for oilseeds in developed countries (7).

To date, however, there has not been much foreign investment by Canadians for purposes of farm exports promotion. The rapid increase in world demand for grains and oilseeds, coupled with a reduction in Canadian export availabilities, has virtually done away with the need for this type of export market development. Interest may revive if world demand for these products weakens.

The general feeling among Canadian farm leaders appears to be that swings in the world grain market will reoccur and in the long run Canadians must involve themselves in foreign milling operations to build markets for wheat, and in feeding operations to expand outlets for feed and meals (4).

In April 1972, Xcan Grain Ltd. entered into an agreement to provide financial and technical assistance to Mosilca, a flour milling company in Venezuela. According to Xcan, the objective of the agreement was to promote the sale of Canadian wheat. The mill, which serves an area in eastern Venezuela, had not used Canadian wheat for a number of years before the agreement (28). (Details of the arrangement were not released, however, and it is not clear whether this particular project can be classified as an investment abroad in terms of stock holdings).

Canadian commercial interests also control a flour milling enterprise in Haiti (which has been in operation for several years), and bulk storage facilities for 10,000 tons of feed ingredients in Trinidad-Tobago. This bulk storage installation is conveniently located to service other Caribbean markets, as well as Trinidad (10).

A good deal of discussion has been devoted to investing in feed mills, either by building new ones, or by buying out existing plants (10), (12), (13). For instance, the Canada Grains Council's Feed Grains Technical Mission to Southeast Asia recommended that Canadians should invest in feed manufacturing in countries like South Korea, partly to break the leadership of American firms with respect to "methods and techniques in modern feed manufacturing, and the consequential trend within the remainder of the industry to imitate the raw material supply policies of the Americans" (13). It is generally claimed that feedgrain and other feed components from Canada could be more readily sold to mills owned by Canadians than to mills owned by local or third-country firms. It is also recognized, however, that the Canadian products would have to be competitive in terms of both price and quality (10), (12).

Foreign Investment in Canada

There is a growing tendency in Canada toward closer regulation of all new foreign investments and restrictions on takeovers of existing enterprises by foreign capital. New laws aimed at controlling the type and extent of foreign investment have been proposed by the Federal Government, and legislation seeking to curtail new purchases of farm land by foreigners has been under consideration in some Provinces.

Nevertheless, various sectors of Canada's agriculture and agribusiness have indicated that they would promote the establishment of joint ventures with the Japanese in Canada, especially to set up processing industries and to export the finished products to Japan and other markets. By and large, the position of the central and local governments appears to be that Japanese and other new foreign capital for the expansion of farm production and the development of processing industries is welcome--but primarily on a loan basis, and only up to a point as equity capital.

Very large Japanese investments in Canadian agriculture appear unlikely. However, the possibility of establishing joint food production and processing ventures in Canada has been the subject of numerous discussions between representatives of Japanese and Canadian commercial interests. In December 1973, the Prime Minister of Japan was quoted in the press as saying that he hoped to obtain food for Japan in the future through a program of cooperative investments--especially for meat and grains--in a number of resource-rich countries, including Canada. In Canada, Japan's primary interest appears to be the establishment of joint ventures for the production of beef and pork. Several projects have been under consideration.

In 1973, Mitsubishi Canada Ltd., an affiliate of the Japanese firm, made an arrangement to purchase 20 percent of the share of Lakeside Farm Industries, Canada's largest livestock firm. This investment was said to be part of the Japanese effort to develop new sources of beef imports.

An agreement for the construction of a jointly owned rapeseed crushing plant in Alberta was signed in October 1974. Japanese interests will own 40 percent of the new plant, which will have the capacity of crushing 600 tons per day (38). According to Japanese sources, most of the oil produced in the new plant will be exported to Japan.

Reportedly, the Japanese have been studying the feasibility of participating in several other livestock and crop projects, including plants for processing sunflowerseed and alfalfa (2).

Some crops, such as sunflowerseed and buckwheat, are grown, or have been grown, by Canadian farmers under contract with Canadian firms for export to Japan, but so far there has been no Japanese investment in Canada in connection with these projects.

Government Aid to Investment for Trade

The Foreign Investment Insurance Program of the Export Development Corporation offers Canadians investing abroad insurance against losses arising from the noncommercial risks of inconvertibility, expropriation, war, revolution, and insurrection.

The program is designed in part to help expand Canadian exports, by placing Canadian companies in a more competitive position relative to companies of other developed countries. The program also encourages Canadian firms to involve themselves in the industrial growth of developing countries. The establishment of industries in the agribusiness sector fits well into the general framework of the Canadian Foreign Investment Insurance Program. Insurance is available for new investments, or for those which involve significant expansion, modernization, or development of an existing enterprise. Investments in land alone are not eligible.

The program is limited to developing countries. To be eligible, the investment must show that it will have some significant positive impact on the economy of the recipient country. This should include expansion of employment, gains in production techniques and skills, and an increase in the standard of living of the local population (7).

Feed mills are generally well suited to the achievement of these objectives, as they can help develop the livestock sector, raise the production capacity of local farmers, and draw them from subsistence farming to the money sector of the economy. Some of these benefits can also be derived from flour mills.

As previously pointed out, it is anticipated that the Grains and Oilseeds Marketing Incentive Program will become increasingly involved in helping Canadian firms to set up operations of this type. Under present laws, the Wheat Board is prevented from engaging in processing operations abroad (1).

When the arrangement between Xcan and Mosilca (see pp.71,73) was announced, Xcan indicated that it had received the "cooperation and support of the federal government marketing development program (for grains and oilseeds)" (28).

It is reported that Canadian commercial interests have been examining a number of overseas investments, especially in oilseeds, which could utilize the Grains and Oilseeds Marketing Incentive Program.

PROBABLE IMPACT OF CANADIAN EXPORT PROMOTION PROGRAMS ON U.S. TRADE

Canada has put in place a significant export promotion apparatus which is being further improved and expanded. Funding is generous and more than adequate to carry out the newly announced programs. The Federal Government and most Provinces that export farm goods are committed to make Canadian agricultural products competitive in world markets.

Since virtually all Canadian farm exports compete, either directly or indirectly, with U.S. agricultural exports, a stronger Canadian drive to win a larger share of the world market will obviously mean stronger competition for U.S. products--regardless of the level of effective world demand.

The market development effort seeks not only to promote sales of existing farm products, but also to anticipate changes in world demand and to reorient part of farm production toward those commodities with better long-term prospects than some of the crops now grown in Canada.

Should the Canadians succeed in achieving large-scale production of some of the new products--such as new varieties of soft wheat that can be used for either feed or bread, entirely nontoxic rapeseed meal, and horsebean protein meal--they would already have in place the infrastructure and the institutional framework needed to organize and finance the vigorous promotional campaigns that would be necessary to familiarize prospective buyers with these new products.

Canada's gearing up for tougher international trade rivalry comes at a time when agricultural exports are becoming increasingly more important in the U.S. balance of trade. U.S. agriculture has moved toward greater utilization of its productive capacity. This decision is based in large part on the expectation that much of the increased output in normal years can and must find outlets in the export market. To a large degree, the continued growth of U.S. agricultural production will depend on sales to the world market.

Much of the Canadian promotional activity is directed to Japan, the PRC, and other Pacific rim countries. Some of Canada's most successful promotional campaigns have already been conducted there. This part of the world has experienced sharp growth in the demand for U.S. farm products.

Canadian agriculture has been producing at less than full potential, and a strong world demand is likely to give impetus to a large increase in Canadian farm production.

In the fall of 1973, the Federal Minister of Agriculture pointed out that under favorable world market conditions--and without using any new scientific knowledge or new technology--Canada could nearly triple its beef cattle production, could increase wheat production to 1 billion bushels per year (almost twice as much as in 1974), and could bring about huge increases in the production of barley, oats, and oilseeds. Canada could also increase egg production by 20 percent without adding one hen to the national flock, and nearly double milk production by bringing average yields of dairy cows up to the level of the best Canadian specimen. Potato yields could also be doubled with presently available technology (15). If these potential, long-term, production levels were to be achieved only in part, they would increase the competitive stance of Canada relative to U.S. exports.

As the Canadians strive to win a larger share of the world market, they may derive some advantages from the structure of their marketing sector. The Canadian marketing system--with its numerous marketing boards and other quasi-governmental marketing agencies--facilitates long-term contractual agreements with importers, while the U.S. system relies heavily on contracts between private export firms and import customers. This may have significant implications for future U.S.-Canadian relationships in third countries. Some major importers--notably Japan--appear to be increasingly interested in long-term contracts that assure them of some continuity of supplies and of a certain degree of built-in price stability. Long-term agreements for exports of wheat have been typical of Canadian sales to the People's Republic of China, and have been relatively common with other countries.

Some Provincial Canadian government agencies have the power--not possessed by local governments in the United States--of taking ownership of products for export and serving as contracting agents. This particular arrangement could encourage some Canadian farmers to produce specifically for the export market--above and beyond what they would otherwise produce for their traditional and established market outlets. However, this

method of making export sales is still at the embryonic stage and essentially applies to commodities and/or quantities that are of secondary importance in world trade. Its impact on overall U.S. commercial interests is not likely to be large.

As pointed out throughout this report, some of the export campaigns mounted by the Canadians may have already cut into potential U.S. sales, especially in Japan, where the Canadians have been extremely successful in expanding sales of rapeseed and pork.

Competition between U.S. soybeans and Canadian rapeseed in Japan and other countries, actual and potential, was discussed on pages 53-62, The Rapeseed Association of Canada appears confident that it can duplicate some of the success which has attended the American Soybean Association (34), and that rapeseed can make further inroads into the soybean market, especially within Canada and in the Pacific rim.

By and large, however, it seems accurate to predict that in the foreseeable future, the bulk of world trade in vegetable oil and meal will continue to be supplied by soybeans. Outside Canada, rapeseed will continue essentially as a residual commodity even after the Zero-Zero varieties (zero erucic acid in the oil, and zero toxic substances in the meal) are in common commercial use.

While sales of Canadian pork may have cut into our own exports of pork to Japan, during the period of rapid expansion in Canadian sales, the higher volume of Canadian exports to Japan was partly responsible for a concurrent increase in Canadian imports of U.S. pork. In the first half of 1974, a drop in Canadian exports of pork to Japan was accompanied by a decline in Canadian imports of pork from the United States.

Canada's market development activities in the People's Republic of China have been as competent and efficient as any, but Canada's successful penetration of the Chinese market for wheat and tobacco was more the result of political relationships than of superior Canadian salesmanship.

Even so, the sales promotion programs carried out in the People's Republic of China have helped strengthen Canada's commercial presence in that market. Because of this relatively long and well-established commercial relationship--reinforced by constant attention to the market--Canadian suppliers of wheat and tobacco will probably continue to be given preference over other foreign suppliers, if the price and the quality of the Canadian products remain competitive.

In the long run, the greatest impact of Canada's worldwide export promotion programs on U.S. trade is likely to be in the grain sector, especially wheat. However, it will be extremely difficult to determine the extent of such impact until future levels of world demand for grain are more clearly defined and until the relationship between wheat production and coarse grains production is more clearly established in Canada.

As already noted, exports are not as important in the disposition of Canadian barley as they are for wheat. However, foreign sales of barley are no longer a residual of domestic demand, as they were until the end of the 1960's.

During the 1950's, Canada vied with the United States for first place among the suppliers of barley to Japan, but since the mid-1960's Canada has taken a commanding lead. The United Staees has become a minor supplier of this crop to Japan, making no sales at all in 1970 and 1971.

During the past decade, Japanese use of barley for feed has about doubled to more than 1 million tons. It appears that Canada is determined to remain by far the most important foreign supplier. However, the use of barley in Japan is not expanding as rapidly as that of corn and sorghum, imports of which come mainly from the United States. Canada is not an exporter of either of these crops.

Canadian barley will be competing indirectly with U.S. corn in several third-country markets and in Canada itself. The continued success of Canadian barley in overseas markets will depend to a large degree on Canada's ability to open up new outlets by helping to develop and expand livestock and poultry industries around the world, rather than by trying to replace U.S. corn with Canadian barley.

In the Asian import market, competition to U.S. corn now comes mainly from Thai, South African, Argentine, Indonesian, and Cambodian corn, as well as from Australian feed grains other than corn. However, larger availabilities of Canadian barley--and, perhaps in a few years, larger supplies of Canadian feed wheat--would add new constraints to the expansion of U.S. corn exports.

Larger exports of Canadian barley to Western Europe, should they occur, would be especially worrisome to U.S. commercial interests there, since Western Europe is expected to increase its self-sufficiency in coarse grain.

In the past 2 marketing years (1972/73 and 1973/74), total Canadian exports of feed grains remained high partly because of substantial increases in Canadian imports of U.S. corn. These imports rose from less than 270,000 metric tons in 1970/71 and 1971/72 to 783,000 tons in 1972/73 and 1.1 million tons in 1973/74. It is anticipated that in 1974/75 relatively high exports of Canadian feed grain will again be offset by relatively large imports of U.S. corn. The Canadian livestock sector may claim a large share of domestic supplies and limit the amount available for exports--at least for a while.

Canada's wheat markets have become more diversified in the past several years. The introduction of the protein-grading system has eliminated the one quality disadvantage that Canadian wheat faced during the second half of the 1960's and at the start of the 1970's, and has reestablished it as one of the world's top quality wheats. Canada is now prepared to employ all promotional devices successfully used by its competitors, including the United States.

While the Canadian barley-rapeseed combination for feed has to overcome the higher preference enjoyed by the corn-soybean combination, Canadian wheat is not a second-choice product. Other things being equal, and assuming that Canadian wheat will be priced competitively, promotion techniques could be virtually the only important factor in the process of inducing prospective importers to buy the Canadian product in preference to wheat from other countries. When products of virtually the same quality and with essentially the same characteristics are priced competitively, an effective sales-promotion campaign is virtually the only way to secure sales for one's own products.

By greatly expanding the scope of their sales promotion the Canadians have shown that they are determined to employ extensive resources in order to gain a larger share of world markets not only for their top products, but also for those products for which they face an uphill fight.

SELECTED REFERENCES

Books, Articles, and Other Material

(1) Agricultural Economics Research Council of Canada.
1970. The Business of Agriculture, 1970 LEVIS Conference, Ottawa.

(2) Alberta Department of Agriculture
1970-72. Miscellaneous unpublished papers. Edmonton.

(3) Brown, J.C.
1972. "Feed Grain Market Development," Manitoba Department of Agriculture, Publication Section. Technical and Scientific Papers Presented at the Manitoba Agronomists' Annual Conference. Winnipeg.

(4) Canada, Agriculture Canada, Economics Branch
1971-74. Annual. Canadian Agricultural Outlook Conference, Proceedings. Ottawa.

(5) _____, The Canadian Grain Marketing Review Committee
1971. The Report of the Canadian Grain Marketing Review Committee, submitted to the Canadian Wheat Board. Winnipeg.

(6) _____, Department of Industry, Trade and Commerce
1972. Industry, Trade and Commerce at Your Service. Ottawa.

(7) _____, _____
1969-73, Miscellaneous papers, press releases, and manuscripts. Ottawa.

(8) Canada Grains Council
1972-74, Annual Report. Winnipeg.

(9) _____ Feed Grains of Canada. Winnipeg.

(10) _____
1971. Feed Grain Technical Mission Report, Caribbean. Winnipeg.

(11) _____
1971. Feed Grain Technical Mission Report, Central America. Winnipeg.

(12) _____
1971. Feed Grain Technical Mission Report, South America. Winnipeg.

(13) _____
1971. Feed Grain Technical Mission Report, Southeast Asia. Winnipeg.

(14) _____
1971. The Market For Canadian Grains in the European Economic Community and the United Kingdom, Mission Report. Winnipeg.

(15) _____
1969-73. Miscellaneous papers. Winnipeg.

(16) Canadian Wheat Board
1967/68- Annual Report. Winnipeg.
1971/72.

(17) Garland, S.W., and S.C. Hudson
1968. Government Involvement in Agriculture. (Report prepared for the Federal Task Force on Agriculture.) Ottawa.

(18) Hawkins, M.H., Bennet, R.K., and Boswell, A.M.
North American Hog/Pork Study. A summary report prepared by the Canada Department of Agriculture. Ottawa.

(19) McAnsh, James
1973. The First Six Years, 1967-73. Rapeseed Association of Canada. Winnipeg.

(20) Manitoba Department of Industry and Commerce
1972. Annual Report 1971-1972. Winnipeg.

(21) Missiaen, Edmond
1970. Trends in Canada's Agricultural Trade and Production, A Statistical Look at U.S.-Canadian Competition. U.S. Dept. of Agr., Econ. Res. Serv., ERS-F 301.

(22) Missiaen, Edmond and Coffing, Arthur L.
1972. Canada: Growth Potential of the Grain and Livestock Sectors. U.S. Dept. of Agr., Econ. Res. Serv., Foreign Agricultural Economic Report No. 77.

(23) Ontario Bean Producers Marketing Board
Miscellaneous papers. London, Ontario.

(24) Ontario Department of Agriculture and Food
1969-71. Annual Report. Toronto.

(25) Rapeseed Association of Canada
Canadian Rapeseed Meal in Poultry and Animal Feeding. Publication No. 16. Winnipeg.

(26) _____
1970-74. Annual. Proceedings of the Annual Meetings of the Rapeseed Association of Canada. Winnipeg.

(27) _____
1971. Report on the Rapeseed Mission to Japan, August 28 to September 13, 1970. Winnipeg.

(28) U.S. Department of Agriculture, Foreign Agricultural Service
1968-74. Various unclassified reports from U.S. Agricultural Attache. Ottawa.

Periodicals

(29) Alberta Hog Journal
Quarterly. Alberta Hog Producers Marketing Board. Edmonton.

(30) Canada Commerce.
Monthly. Department of Industry, Trade and Commerce. Ottawa.

(31) Canadian Farm Economics
Bi-monthly. Agriculture Canada, Economics Branch, Ottawa.

(32) Foreign Agriculture
Weekly. U.S. Dept. of Agr., Foreign Agr. Serv.

(33) Manitoba Cooperator
Weekly. Winnipeg.

(34) Rapeseed Digest
Monthly. Rapeseed Association of Canada. Vancouver.

(35) Western Producer
Weekly. Saskatoon.

Statistical Bulletins

(36) Agriculture Canada
Annual. Canada's Trade in Agricultural Products. Economics Branch. Ottawa.

(37) Statistics Canada
Monthly. Oils and Fats. Catalogue 32-006. Ottawa.

(38) _____
Monthly. Trade of Canada, Exports by Commodities. Catalogue 65-004. Ottawa.

(39) _____
Monthly. Trade of Canada, Imports by Commodities. Catalogue 65-007. Ottawa.

(40) _____
Monthly. The Wheat Review. Catalogue 22-005. Ottawa.

END

DATE

FILMED

7-23-79

NTIS