

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Canada

**Post:** Ottawa

## Canada Number One Market for U.S. Agricultural Exports

### **Report Categories:**

Agriculture in the Economy

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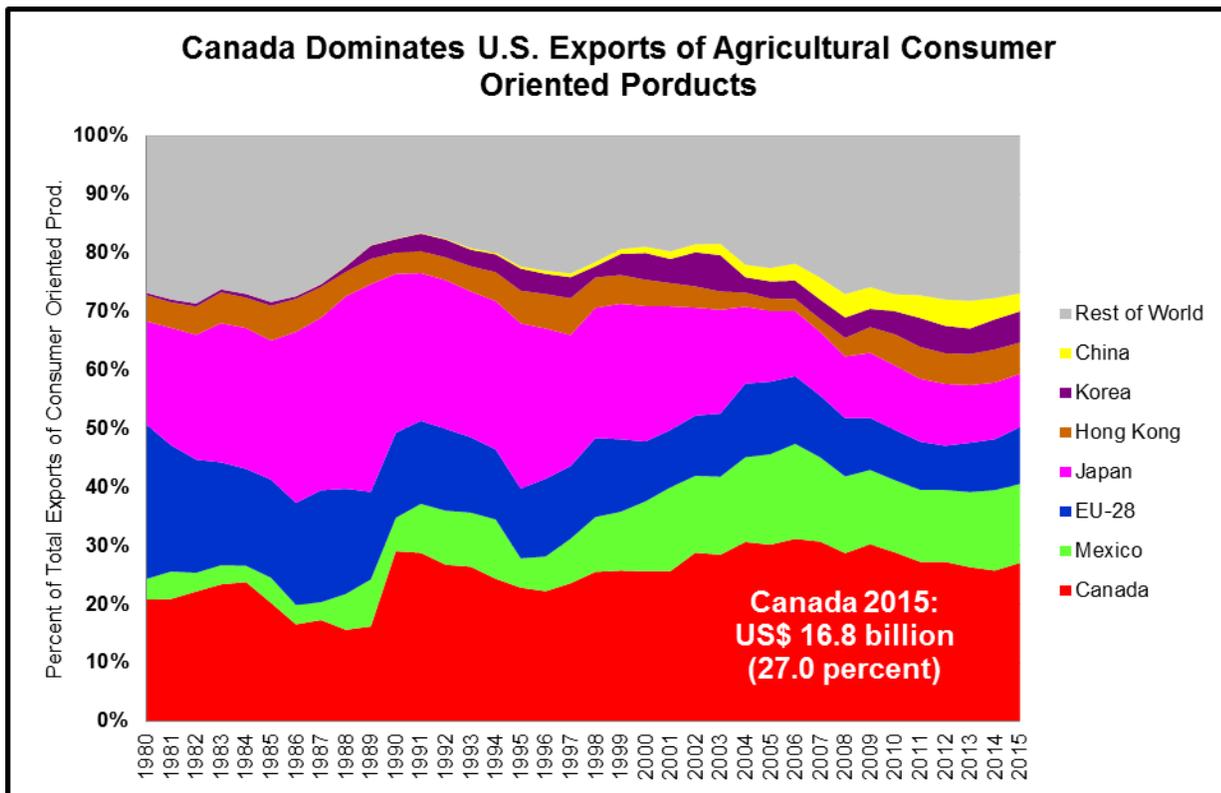
### **Report Highlights:**

In 2015, Canada is once again, and expected to continue, as the number one destination for U.S. exports of agricultural products, with a total value of \$21 billion. The vast majority of exports are high-value food products, totaling \$17 billion, or 27 percent of the total U.S. consumer-oriented agricultural exports. Some of the top export categories include: fresh and processed fruits and vegetables, meat, prepared food, snack food, chocolate and cocoa products, condiment and sauces, wine and beer, and pet food.

In 2015, after three consecutive years of ranking second, Canada is once again, and expected to continue, as the number one export destination for U.S. agricultural products, totaling \$20.9 billion. China followed second buying \$20.2 billion worth of U.S. agricultural exports. In third place came Mexico, with \$17.7 billion in total U.S. exports. In 2015, the United States imported \$21.7 billion worth of agricultural products from Canada.

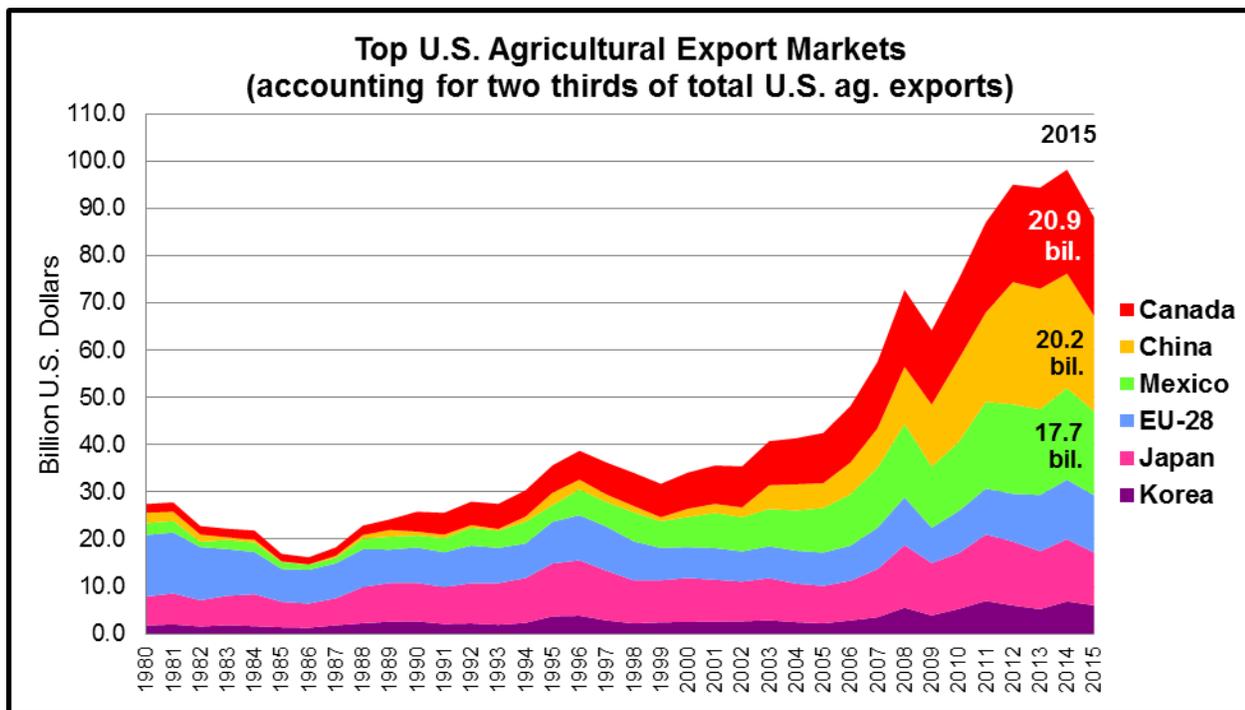
With a 27 percent market share in 2015, and a value of \$16.8 billion, Canada continues to remain by far the top destination for U.S. exports of high-value agricultural products. These consumer-oriented agricultural products are foods typically sold directly in supermarkets or used in restaurants. These high value exports support tens of thousands of jobs in the United States, and many of the suppliers are small and medium sized businesses.

In the high-value category, Canada was followed in the second place by Mexico, at \$8.4 billion, and in third place by EU-28 at \$6 billion. Overall, U.S. exports of consumer-oriented products in 2015 totaled \$62.1 billion representing 46.6 percent of the total U.S. agricultural exports valued at \$133 billion.



Source: U.S. Census Bureau Trade Data

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



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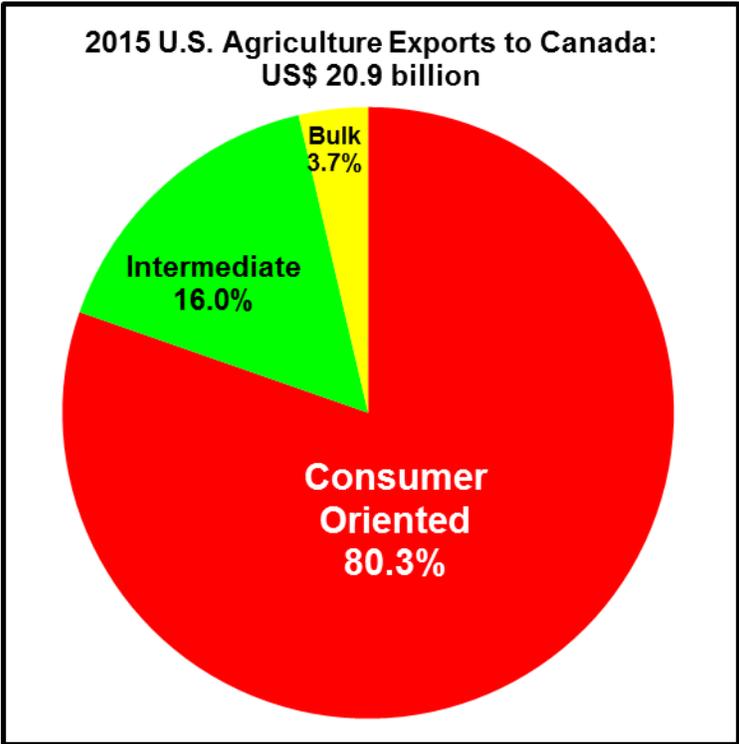
ce: U.S. Census Bureau Trade Data

Overall, U.S. exports of agricultural products declined by 11.3 percent between 2014 and 2015, totaling \$133 billion. During the same time period, U.S. agricultural exports to Canada declined by only 5 percent, while U.S. exports to China declined by 16.6 percent, to Mexico by 8.7 percent and to Japan by 15.1 percent. This fact demonstrates the importance of the Canadian market for American exports, a resilient mature market that continues to support substantial levels of trade.

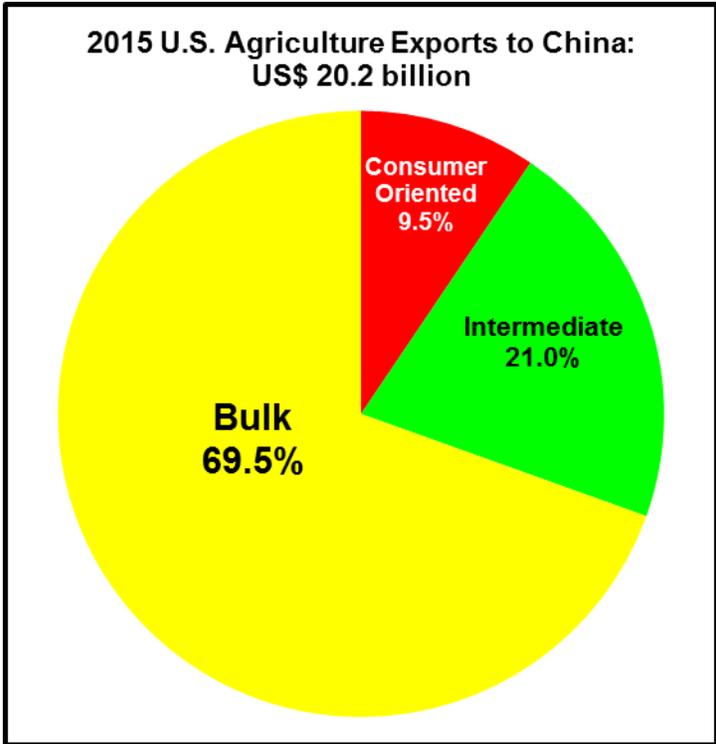
Between 2012 and 2014, China overtook Canada as the number one destination for U.S. agricultural exports. However, the export composition to these two markets cannot be more different. While Canada is predominantly a high value market, U.S. exports to China are dominated by exports of bulk commodities.

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

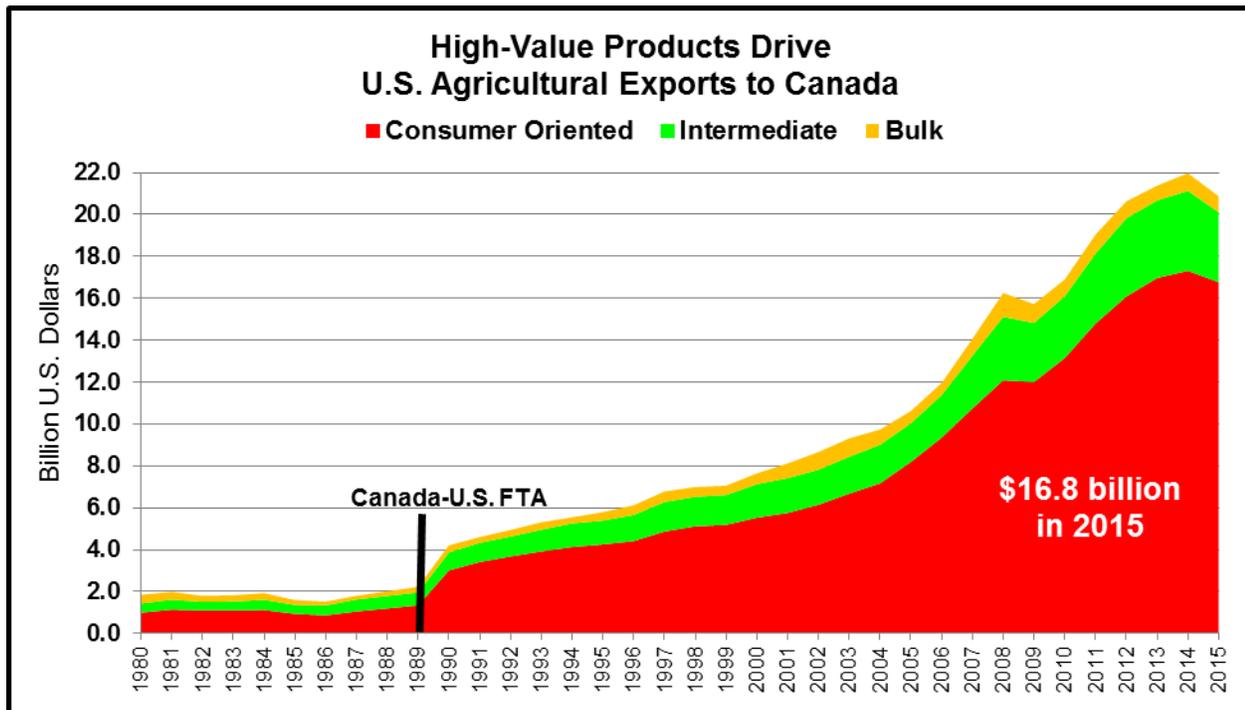
By contrast, China is a bulk commodity market for U.S. agricultural exports. The vast majority, 70 percent, of U.S. exports to China consists of soybeans, followed by grains and other commodities. Only 21 percent of exports are intermediate goods (with distillers grains and hides and skins the top exports in this category) and only less than 10 percent are high-value agricultural products.



*Source: U.S. Census Bureau Trade Data*



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Source: U.S. Census Bureau Trade Data

In 2015, the total U.S. exports of consumer-oriented agricultural products declined by nearly 8%, to \$62.1 billion. However, U.S. exports in this category to Canada declined by only 3.1 percent to \$16.8 billion. Despite this decline, Canada’s market share in this category increased from 25.7 percent in 2014 to 27 percent in 2015, proving once again the importance of this strong mature market in absorbing U.S. exports of high value products.

In the consumer-oriented category, U.S. agricultural exports to Canada are dominated by fruits and vegetables, either fresh or processed. In 2015, exports of these products together summed up to \$5.1 billion, broken down as follows:

- Fresh vegetables: \$1.8 billion, with lettuce, turnip, onions, tomatoes and cauliflower occupying the top positions
- Fresh fruits: also \$1.6 billion, with strawberries and other berries, grapes, apples, oranges and cherries in the top spots
- Processed vegetables: \$616 million, with frozen potatoes, frozen vegetables mixes, pickled cucumbers, canned tomatoes and beans and tomato paste taking up the top places
- Fruit and vegetables juices: \$486 million, dominated by orange juice, mixed fruit juices, grape juice and mixed vegetable juices
- Processed fruits: \$475 million, with fruit mixes and dried fruits, including raisins and cranberries, in the top spots

In spite of the overall decline in the consumer-oriented category (3.1 percent decline in 2015 as mentioned earlier), several product groups have actually shown growth in 2015. Moreover, all the product groups listed below posted all time record export value levels in 2015:

- Chocolate and cocoa products: \$720 million (2.6 percent increase in 2015)
- Condiments and sauces: \$694 million (10 percent growth in 2015)
- Tree nuts: \$685 million, with almonds, walnuts, pecan nuts and pistachios in the top (3.2 percent increase in 2015)
- Breakfast cereals: \$509 million (1.5 percent growth in 2015)

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

- Beef and beef products: \$900 million
- Pork and pork products: \$779 million
- Wine and beer: \$613 million
- Pet food: \$602 million

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



Source: U.S. Census Bureau Trade Data