

# Canada's Processed Food Industry Trade Balance Deteriorating

OTTAWA, Nov. 14, 2012 — Canada's trade balance in processed food is deteriorating, having reached a deficit of \$6.3 billion in 2011, according to a new report from the Canadian Agri-Food Policy Institute (CAPI).

For 20 years, Canada has recorded trade deficits in value-added processed food which includes secondary processing of food products and beverages.

But since 2004, the deficit has worsened from less than \$1 billion to \$6.3 in 2011. (See figure below.)

These data are examined in the report *The State of Canada's Processed Food Sector: Trade Balance*, released today by CAPI. The analysis does not focus on primary processing.

Historically, Canadian exports of processed food products have increased. But since 2004 that growth has stalled, while imports have continued to steadily rise.

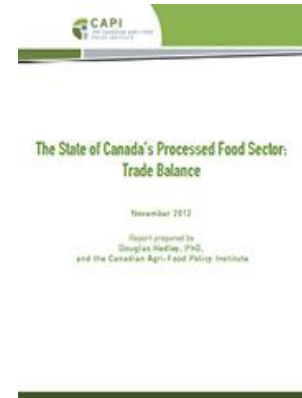
"Undoubtedly, there are companies that are growing and investing but we need to better understand the implications of sustained and deepening trade deficits for the future competitiveness of the processed food sector and the agri-food sector as a whole," said David McInnes, CAPI's President and CEO.

The situation is far-reaching. Canada's processed food trade with the US and Mexico has shifted from a surplus of \$2.2 billion in 2004 to a deficit of \$1.3 billion in 2011. For all other countries, the trade balance has worsened from negative \$3.2 billion to negative \$5 billion over the same period.

The deficit picture in processed food contrasts sharply with the positive trade balances of all the other categories of agricultural production, namely commodities.

Most of the data were supplied by Industry Canada; these data are grouped by categories established by the World Customs Organization's Harmonized Commodity Description and Coding System.

Why are these findings important? Food processing is one of Canada's largest manufacturing sectors and is also the recipient of a significant share of Canada's agricultural output, particularly in certain provinces. In addition, many retailers and food service providers are interested in making Canadian agri-food products available to Canadian consumers.

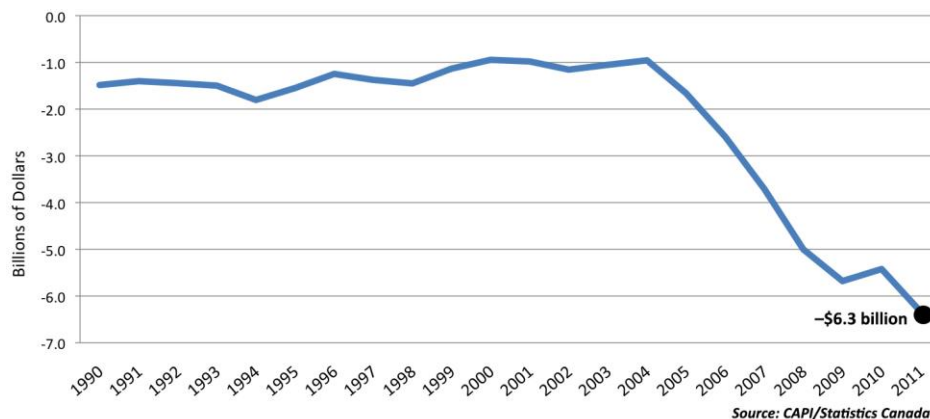


CAPI commissioned the report to foster a constructive dialogue on the state and prospects of the processed food sector and the actions needed to go forward.

The report concludes that more work is required to explain the causes of the change in trade performance. For example, the report:

- acknowledges that the Canada-US exchange-rate pattern mirrors to some degree the timing of changes in the processed food trade balance but questions whether this is the underlying cause of the changes;
- underscores the importance of foreign market access but questions whether erosion of their benefits is affecting the Canadian processed food sector;
- notes that more analysis is required to better understand investment trends and regulatory impacts.

### Canada's Trade Balance in Processed Food



The Canadian Agri-Food Policy Institute (CAPI) is an independent, unbiased policy forum that is dedicated to the success of Canada's agriculture and agri-food sector. CAPI is a catalyst. It identifies emerging issues, promotes dialogue and advances alternative solutions to issues with stakeholders across diverse agri-food supply chains and among other food stakeholders. Based in Ottawa, CAPI was established as a not-for-profit corporation in 2004 by the federal government and is guided by a diverse Board of Directors and an Advisory Committee.

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