- UNITED STATES COUNTRY PROFILE –

The United States is the world's largest economy and a top priority market for Canadian exporters. With its market size, high Gross Domestic Product (GDP) per capita, proximity, similar business infrastructure and preferential trade access, the United States is the obvious international market for agri-food exports. The US is Canada's largest agricultural import and export market. As North America is growing towards one market policy changes south of the border, foreign competition and fluctuations of the US dollar all have an impact on the Canadian agri-food industry.

The US remains Alberta's largest trading partner accounting for 36.2 per cent of Alberta total agri-food exports in 2010. In comparison, this share was 44.8 per cent five years ago (2006). In 2010, exports to this market, at $2.4 billion, were 10.1 per cent lower than in 2009. Declines in exports were reported for grains and oilseeds, due to lower volume and weak prices. Wheat, barley and canola seed, each fell in quantity and value. Partially offsetting these declines were higher revenue from exports of live cattle, hogs, tallow, prepared animal feed, raw hides and skins, pork and beef. The US continues to be Alberta's sole export market for live cattle and hogs (non-purebred), and accounts for almost 74.0 per cent of Alberta's beef exports by volume. [1]

The Pacific Northwest region presents numerous opportunities for exporters in the agri-food sector with its 12 million consumers situated one day and a half shipping from Alberta. US consumers are willing to pay more for quality products and Alberta is well positioned to meet the growing demand for private label, ready meals, meats, natural, specialty and functional foods in this region. Challenges for Alberta producers include high competition. While American companies provide for many of their own consumers, there are tremendous opportunities for progressive and innovative Alberta companies willing to gain a foothold in the market and develop long-term competitive presence south of the border.

MARKET OVERVIEW

- ### Economic

With a population of approximately 313 million people, the United States is the largest and most powerful economy in the world. Its nominal GDP (PPP) in 2010 is a massive $16.6 trillion and the GDP per capita (PPP) is $47,200[2].

Long-term problems include inadequate investment in deteriorating infrastructure, rapidly rising medical and pension costs of an aging population, sizable trade and budget deficits, and stagnation of wages in lower-income families. The merchandise trade deficit reached a record $840 billion in 2008 before shrinking to $507 billion in 2009, and ramping back up to $647 billion in 2010. The global economic downturn, the sub-prime mortgage crisis, investment bank failures, falling home prices, and tight credit pushed the United States into a recession by mid-2008. GDP contracted until the third quarter of 2009, making this the deepest and longest downturn since the Great Depression.

To help stabilize financial markets, the US Congress established a $700 billion Troubled Asset Relief Program (TARP) in October 2008. The government used some of these funds to purchase equity in US banks and other industrial corporations, much of which had been returned to the government by early 2011. In January 2009 the US Congress passed and President Obama signed a bill providing an additional $787 billion fiscal stimulus to be used over 10 years - two-thirds on additional spending and one-third on tax cuts - to create jobs and to help the economy recover. Approximately two-thirds of these funds were injected into the economy by the end of 2010.

In 2010, the US budget deficit reached nearly 9% of GDP; total government revenues from taxes and other sources remained lower, as a percentage of GDP, than that of any other developed country. In March 2010, President Obama signed a health insurance reform bill into law that will extend coverage to an additional 32 million American citizens by 2016, through private health insurance for the general population and Medicaid for the impoverished. In July 2010, the president signed the DODD-FRANK Wall Street Reform and Consumer Protection Act, a bill designed to promote financial stability by protecting consumers from financial abuses, ending taxpayer bailouts of financial firms, dealing with troubled banks that are "too big to fail," and improving accountability and transparency in the financial system - in particular, by requiring certain financial derivatives to be traded in markets that are subject to government regulation and oversight[3].

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[1] Agriculture and Rural Development (ARD), Agri-Trade Online
[2] CIA World Factbook
[3] CIA World Factbook

- **Political**

Globalization is making Canada's proximity advantage less significant, and bilateral and multilateral trade liberalization is reducing the margin of preference enjoyed by Canada as a result of NAFTA. Moreover, given the current downturn, currency fluctuations and volatile energy and commodity costs, Canadian manufacturers are finding it tough to maintain their market shares. To meet these challenges, Canada must redouble its efforts to retain and improve its trade position vis-à-vis the United States.

While the Canada U.S. relationship is for the most part very positive and functions smoothly, there are a number of complex bilateral issues at play in the relationship, some of which are currently garnering public attention.

For example, Canada is in WTO consultations with the United States because it continues to be concerned by the negative impacts of country-of-origin labelling (COOL) on the Canadian beef and swine industry. While the implementation of a potentially "workable" final rule on March 16, 2009, was a positive step, Canada is currently reviewing the final rule's market and trade impact, particularly in light of a letter from the U.S. Secretary of Agriculture encouraging industry to use very strict voluntary labelling practices. The stricter practices proposed by the U.S. Department of Agriculture appear to have reduced the flexibility originally envisioned in the final rule and are causing uncertainty for industry on both sides of the border. Canadian farmers say their business has declined as a result.

The U.S. *American Recovery and Reinvestment Act of 2009* has created opportunities for Canadian exporters, but has also been a source of concern. Regarding the "Buy American" restrictions, Canada is still mindful of the commitments made by leaders of the G20 countries to keep our economic systems open and to resist pressure to increase barriers to international trade.[4]

- **Relevant Demographics**

In 2011, the United States is home to 313.2 million people[5], the world's third largest population.

The US population is getting older with the number of persons aged 65 and older steadily increasing from 19.1 million in 1967 (9%) to 36.8 million in 2007 (14.4%). By 2030, about 20% of the US population will be 65 or older. The percentage of the population in the "working ages" of 18 to 64 is projected to decline from 63 percent in 2008 to 57 percent in 2050. Similarly, the 85 and older population is expected to more than triple, from 5.4 million to 19 million between 2008 and 2050.

The US is becoming more racially and ethnically diverse. Whites continue to account for the majority of the US population (66%). Hispanics continue to be the largest minority group, followed by Blacks, Asians, American Indians, Alaska natives and native Hawaiians and other Pacific Islanders.

Net immigration will continue to be an important component of population growth in the US through 2050. The population of Hispanics is projected to steadily increase as a percentage of total US population through 2050, rising from 15% in 2008 to 30% in 2050.

Consumers demand more choices and lower prices and are increasingly more health conscious. Higher incomes and aging of the population is expected to cause shifts in the American food market and require its suppliers to adapt to more mature consumers, more diversity, and more people to feed. By 2020, the share of people older than 65 will increase while the share of the population under 18 will decline[6]. Older Americans are likely to be more health conscious than their younger counterparts.

The total household food spending is expected to increase by 26% between 2000 and 2020[7] and will have a larger impact on demand for quality and diversity of food than on quantity. This includes things such as:

- specialty cuts of meats,
- natural and organic foods
- healthy and functional food products
- exotic vegetables,
- luxury foods,
- ready-to-eat meals,
- exotic fresh foods,
- single-serving lunchbox snacks, and
- washed and bagged vegetables.

Growth of Hispanic and ethnic populations with an increasing disposable income (over double the growth of the average US consumer since 2001) will also contribute to expand the American food repertoire and require specific marketing initiative. More than the Hispanic labels this will require identifying specific flavors in demand.

[4] Foreign Affairs and International Trade Canada
[5] CIA Worldfact Book
[6] US Census Bureau, Population projections
[7] USDA/ERS: Food Expenditures by US households: looking ahead to 2020

- **Trade Agreements and Market Access**

The United States is a member of numerous international organizations, including the United Nations (UN), the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD). It is a member of a wide range of bilateral and multilateral trade and economic agreements.

Regional agreements include: the North American Free Trade Agreement (NAFTA), the Free Trade Area of the Americas (FTAA), the Enterprise for ASEAN Initiative (Association of Southeast Asian Nations), the Middle East Free Trade Initiative, and the Asia Pacific Economic Cooperation (APEC). The United States has free-trade agreements (FTA) in force with Canada, Mexico, Israel, Jordan, Chile, Singapore, and Australia. FTAs have recently been completed with several countries including Bahrain, the five central American countries, Morocco and the Dominican Republic. Current negotiations to create FTAs include over 12 countries while unilateral preferences in favor of developing countries have been expanded to over 120 countries.

Canada and the United States entered into a free trade agreement (NAFTA) on January 1, 1989 which was extended in 1994 to include Mexico. Since 1989 two-way trade has tripled and virtually all Canada-US trade has been tariff-free[8]. Some challenges still remain despite the largely irritant-free nature of Canada-US trade.

The importance of agricultural trade between Canada and the US is marked by greater integration of agricultural markets. Data shows the dependency of Canada upon US trade and the potential exposure in case of conflict or policy changes. Alberta and Saskatchewan have been severely hit by the closure of US border to Canadian beef following Canada's announcement of its first BSE case in May 2003. The border was reopened to boneless beef from cattle less than 30 months of age later that same year and to live cattle under 30 months. Trade resumed in 2007 with the reopening of the border to animals and beef from cattle over 30 months. Building domestic slaughter, finding new markets, developing new products and leading the research on BSE will be essential in ensuring that Alberta's cattle industry remains competitive.

- **Current Issues**
  - **Ranchers-Cattlemen Action Legal Fund (R-CALF)**

It was founded to represent and file trade cases on behalf of US cattle industry, filed a lawsuit against the importation of Canadian cattle and meat products. R-CALF reinstated the need for immediate policy reforms to restore the viability of, and profit-opportunity for the US cattle industry. R-CALF requested 10 reforms to restore and rebuild the contracted US cattle industry including: rules to safeguard the cattle industry from price-depressing import surges; a designation that cattle and beef are like/kind products; an end to the practice of allowing access to the US market before the US gains access to foreign markets; an end to the practice of ratcheting down US health and safety standards for the purpose of accommodating more imports; and, an amendment to the NAFTA to provide relief to US cattle producers from price-depressing live cattle imports from Canada and Mexico.

  - **Country of Origin Labeling**

A highly prescriptive country of origin labeling (COOL) for meat, produce, seafood and peanuts sold at retail was included in the Farm Bill. The measure was supported by groups opposed to imports of certain foods because of the perceived competition they pose. In an effort to give the law a mantle of virtue, they called it a "consumer right to know" law. Key segments of US industry and US trading partners have opposed mandatory COOL due to the compliance costs involved and view country-of-origin labeling as an anti-import law.

AGRICULTURE AND FOOD TRADE OVERVIEW

- **US – Canada**

The US is Canada's largest agricultural import and export market. Since 2005, the main factors that have influenced trade between Alberta and the US are:

- high energy prices;
- strong Canadian dollar and weak US dollar;
- increased competition from Chinese and Japanese economies;
- low world prices for grains and oil seeds;
- reopening of the US border to live cattle under 30 months of age; and
- country of origin labeling

[8] During 1989 and 1998 virtually all tariff and quota barriers to Canada-US agricultural trade were dismantled with a few notable exceptions: US imports of dairy products, peanuts, peanut butter, cotton, sugar, and sugar-containing products and Canadian imports of dairy products, poultry, eggs, and margarine

Canada's total agri-food exports in 2010 were valued at approximately $17.5 billion, and Canada's 2010 imports from the US totalled $16.7 billion.[9]

Major Canadian exports to the US include live cattle, fresh boneless beef, bakery products, canola oil refined, and frozen fries. Canada retains its large trade surplus with the US in the agri-food sector. The US has become a net importer of food and new competitors in China, Brazil, and elsewhere in Asia are emerging as cheaper producers of food. This creates policy and competitiveness challenges for Canadian producers of agriculture and food products.

- **US-Alberta**

The agri-food industry in Alberta is export-oriented. Alberta is the third largest exporter of primary and processed agricultural and food products in Canada after Saskatchewan and Ontario. In 2010, Alberta exports of agri-food totaled $6.7 billion and were 9.6 percent lower than the $7.4 billion in 2009.[10]

The US is Alberta's largest trading partner for agri-food products, total exports to the US were $2.4 billion in 2010. Other major markets include Japan (canola and pork), Mexico (canola and beef) and China (canola, hides and skin).

Alberta's strength has been in supplying beef ($723 million), live cattle ($524 million), wheat ($150 million), processed potatoes ($131 million), canola oil ($102 million), canola seed ($72 million), pork ($65 million), oilseed cake and meal ($60 million), malt roasted/not roasted ($54 million) and live hogs ($40 million).

The US remains Alberta's first market for beef and second market for pork. The US is Alberta's sole market for live cattle (non purebred) and hogs. Excluding the US as a whole, California is Alberta's largest market in the US, followed by Washington, Utah, Oregon, Texas, and Illinois.

In 2010, Alberta agri-food imports from the US were valued at $1.14 billion consisting mainly of fruits and vegetables ($375.9 million), beverages ($112.8 million), feeds of vegetable origin ($87 million), foods and food materials ($73.9 million), cereal preparations ($68.4 million), and prepared animal feed ($52.4 million), and Alberta imports agriculture and food products mainly from California, Minnesota, North Dakota, Wisconsin, and Texas.

Alberta is dependent on exports to the US: policy changes, BSE outbreak, foreign competition and fluctuations of the US dollar –among others- have an impact on Alberta's competitiveness in the US. Alberta supports free trade in agriculture and will work toward a continued collaborative effort between the US and Canada in increasing trade between the two countries.

Alberta industry is pleased with the resumption of normal cross border trade flows in cattle and beef. One area of concern was the mandatory regulations on country of origin labeling (MCOOL) that was enforced after April 1, 2009. MCOOL significantly affected the meat supply chain in North America and created significant barriers to imports of foreign products in the US.

The World Trade Organization (WTO) dispute settlement panel has issued an interim report on the implementation US MCOOL. Details of the ruling are not available yet, but press reports indicate that the WTO panel has found the US in violation of existing WTO trade rules, by imposing unnecessary trade restrictions on a trade partner.

The final report of the ruling is expected to be circulated to all WTO members by the end of November 2011. The US can appeal the ruling to a WTO appellate body, or choose to amend the offending trade measures.[11]

US FOOD AND BEVERAGE INDUSTRY

The US food industry which includes growing product, processing, distribution, and retailing, is highly competitive and has been challenged by an economic crisis, global low prices, high energy costs, and changing consumer tastes. Recent years have been characterized by mergers and acquisitions, new store formats, competition from new entrants from Europe and Latin America, as companies strive to increase their market share, cut costs and diversify, as well as strengthen their products lines.

[9] Agriculture and Agri-Food Food Canada, Trade Service
[10] Alberta Agriculture and Rural Development
[11] Alberta Agriculture and Rural Development – Domestic and International Trade Policy Branch

- **Processing**

Per capita meat consumption declines through 2012-14 as the livestock sector lowers overall production and retail prices rise. Meat consumption per person then rises again at the end of the projections period. Rising incomes facilitate gains in consumer spending on meat. Nonetheless, overall meat expenditures represent a declining proportion of disposable income.

Consolidation is apparent in the food processing industries, where plant sizes have increased sharply, as well as in retailing and wholesaling, where store sizes have changed and mergers have led to fewer but larger chains[12]. Despite consolidation, the retail industry is faced with strong competition increasingly focusing on price, creating significant margin pressure for food and drink manufacturers. At the same time the US foodservice industry is feeling the impact of the economic crunch and competing with retail stores for consumers' food dollars.

The continuing concentration of food brokers, wholesalers and retailers impact size and buying power of stakeholders and make entry of branded products extremely difficult (promotion costs and listing fees). The increased supply chain integration and adoption of technology place increased requirements on companies supplying product to the US market.

Some of the bigger food processing companies include[13]:

- Tyson Foods Inc
- Kraft Foods In
- Pepsico Inc
- Anheuser-Busch Cos. Inc
- Dean Foods
- General Mills
- Smithfield Foods Inc
- Con Agra Foods Inc

The North American beef/cattle industry is increasingly integrated. For example:

- Animals born in Northern Plain states and Hawaii are shipped to Western Canada feed-lots
- Fed cattle is shipped from Western Canada to the US for processing
- Eastern Canada buys beef from the US

Most players in the food and beverage market have experienced changes of consumer purchasing habits brought by economic pressures, health concerns, food safety and environmental issues. Customers have already reduced the total number of their grocery shopping trips, while also shopping more frequently at discount outlets, at the expense of supermarkets. They eat out less often and turn to fresh ready meal options from the grocery stores. Dealing with cost is arguably the most important issue facing all types of grocers. The ability to attract new customers while retaining existing customers will be important t all levels of the supply chain.

- **Retail**

Retail is the second-largest industry in the United States both in number of establishments and number of employees. Consumers go to the supermarket 2.2 times a week on average and spend 5.4% of their income on food for consumption at home while 4.1% is spent on food for consumption away from home. Competition from mass merchandisers and warehouse clubs offer customers everyday low prices and a broader selection of items. 2,000 supermarkets close annually due to Wal-Mart's escalating grocery market share[14].

Growth areas include private label products, home meal replacements, specialty and prepared, organic, natural, and ethnic foods.

Supermarkets account for two-thirds of industry stores, and claim most of the industry's revenues. Because of the industry's fragmented nature, however, the top five supermarket chains account for less than 25% of total industry revenues. Convenience stores generate roughly $105 billion in annual sales, accrued from 130,000 stores. Smaller still are online grocers, which, after a disastrous start, have begun to show promise. The largest traditional supermarket chains include: Kroger Co.; Albertson's Inc.; Royal Ahold, NV; Safeway Inc.; and Publix Super Markets, Inc. With $95 billion in annual grocery sales, Walmart is now the largest US grocery chain and holds 14 percent of the market. Sam's Club, Walmart's popular wholesale operation, accounts for a large share of the hypermart's grocery sales. Costco and BJ's Wholesale Club are other large wholesale operations, with the latter operating almost exclusively in the Northeastern US In the convenience store sector, leading retailers include: 7 Eleven (17 percent of total stores); The Pantry; and Quik Trip. Peapod, a web-based grocer, was the first successful US online operator. Online startup

[12] USDA/ERS Food Market Structures http://www.ers.usda.gov/Briefing/FoodMarketStructures/industryorg.htm
[13] Food Processing Magazine and Food Marketing Institute
[14] Progressive Grocer

Fresh Direct is also doing well. Companies such as Safeway and SuperValu have begun to experiment with online shopping of late, but only in regional markets.

The evolving trajectory of consumer interest in private label coupled with the enhanced quality of private label offerings by retailers has created a surprising groundswell of interest in private label (in general) and “premium” private label (in specific). Only 9% of US consumers believe premium or “branded” products are superior to private-label products[15]. Nearly two-thirds of US consumers (60%), believe that private label products are manufactured by the same firms who produce premium or “branded” products. Leading retailers such as Trader Joe’s,

Safeway and Whole Foods have created private label brands that many consumers perceive to be far superior to leading premium branded products.

- **Hotel, Restaurant, Institutional (HRI) Sector**

Restaurant industry sales are expected to reach $604 billion in 2011 (an increase of 3.6% over 2010). Full service restaurants, the largest segment in the food service industry, will reach a record high of $195 billion (an increase of 3.1% over 2010). Quickservice restaurant sales will reach an estimated $168 billion in sales (+3.3% over 2010). The restaurant industry workforce is the second largest private sector employer in America employing 12.8 million individuals, which means about 1 out of 10 individuals working in the US today. [16]

The breakdown of projected 2011 regional sales growth in the US is as follows:

Pacific	3.2%
Mountain	3.6%
West North Central	3.1%
West South Central	3.7%
East North Central	3.1%
East South Central	3.1%
South Atlantic	3.9%
Middle Atlantic	3.6%
New England	2.8%[17]

Americans today are looking for restaurants that deliver value, convenience and healthier options. Restaurateurs will sharpen their appeal in the coming year by reaching out to health-conscious guests as well as to the growing number of diners who are interested in how and where their food was produced.

Authentic foods are growing in popularity with local sourcing, simplicity and sustainability. Also, consumers are paying premium prices for organic foods, although the U.S. economy remains weak. Busy lifestyles dictate greater spending on convenience meals and restaurant quality foods at home, which are comforting when consumers are eating out less. In addition to greater demand for comfort food, consumer desire intrigue in their food choices such as ethnic cuisines and new beverage varieties.

Among top trends restaurateurs see for 2011 are an expanded focus on value, healthy options in kids’ meals, locally sourced items and green initiatives. The National Restaurant Association each year surveys professional chefs, all members of the American Culinary Federation, on which foods, beverages, cuisines and culinary items will be hot trends on restaurant menus. The “What’s Hot” in 2011 survey was conducted in the fall of 2010 among more than 1,500 chefs.

Overall, chefs ranked nutritionally balanced children’s dishes as the No. 4 trend on restaurant menus for 2011. Underscoring the importance of children’s dishes, children’s nutrition, gluten-free/food allergy conscious, smaller portions, organic produce and nutrition/health were all among the top 20 items on the chef survey. The No. 1 trend for 2011 is local meats and seafood, according to the “What’s Hot” chef survey. The local-foods trend has become particularly popular at fine-dining establishments.

EXPORTERS BUSINESS TIPS

The US market is vast, complex, highly competitive, and can be intimidating to enter. There is actually no single “US market”. US markets can be segmented by race, religion, age, geography, nationality, citizenship status, income bracket, occupation, political persuasion, industry, profession and so on. Due to its size, geography and demography, it

[15] Business Monitor International
[16] National Restaurant Association's 2011 Restaurant Industry Forecast
[17] National Restaurant Association's 2011 Restaurant Industry Forecast

is impossible to target the entire country all at once. It is recommended that each firm narrow their focus to include only a specific region or a few states at one time. Emphasis on the Pacific Northwest (PNW) region for Alberta exporters is recommended due to multiple factors:

- Proximity,
- Historical ties,
- Similar consumer tastes and demographics,
- Affluent consumer base,
- Opportunities for specialty/niche products,
- Economic growth,
- Trade dependency of the region and transportation costs.

Other priority markets for Alberta exporters include:

- California and West Coast
- Upper-Midwest
- Intermountain region
- Niche markets with identified and manageable opportunities

The Pacific Northwest region includes the states of Alaska, Idaho, Oregon and Washington and its population is approximately 13 million people, about 4% of the US consumer base[18]. Seattle, the main city of the region, is located 100 miles south of the border and hosts a market of nearly 4 million people. Oregon and Washington are also both important export markets with transportation routes for exporting products from Alberta to California, Mexico and the Pacific Rim. The high income population of the region represents an attractive opportunity for Alberta exporters in particular in the specialty foods and beverages segment. Despite a slight slowdown in the US economy, growth of the specialty, organic and health food markets in this region retain all its potential for Alberta exporters. Extensive cooperation in various sectors and the affinity of the Pacific Northwest region for Canada's Western provinces should also contribute to a deeper development of the Canadian presence in this market.

Market entry strategies

Exporters may want to establish a business presence in the US, set up a partnership with a similar American business or use a manufacturer's representative. Selling through intermediaries is the most common method of entering the market. Intermediaries are mainly distributors, trading houses and representatives also called agents. The growing demand of trendy foods is driven by distributors, wholesalers, restaurants, retailers and supermarkets. Large retailers often operate their own warehouses and distribution centers and buy directly from food brokers or manufacturers. Perishable products are usually sold to wholesalers and occasionally retail buyers. It is recommended that Canadian exporters hire a US broker before entering the US market. The services of a food broker allow companies with limited resources to reach a broad client base.

Among the 600 companies in Alberta involved in processing agricultural commodities into food, animal feed, beverages, or non-food products, several are multinational companies (beef slaughtering, pork and poultry processing, french fries manufacturing and brewing).

Most Alberta agri-food exporters are Small and Medium Enterprises (SMEs). SMEs are encouraged to increase or develop value-added products, and foster backward and forward inter-linkages. Alberta agri-food exporters traditionally ship products to retailers and/or food service users. Other strategies include setting up a satellite plant or integration with larger US companies that set up plants in Alberta and British Columbia.

Distribution, Logistics

The industry is dependent upon a highly fragmented truck transportation system for 80 % of the shipments. Cross-docking, the practice of receiving goods at one door of a facility and shipping out through the other door almost immediately without putting them in storage, is definitely a growing trend in food logistic. The most common shipping methods from Alberta are: truck, bus (for small and light shipment), air (fast and reasonable insurance and warehousing rates) and rail (large bulk shipments).

Inspection, Customs

US Security measures and economic policies continue to evolve and may complicate the export business. For example, slow traffic across the border as a result of requiring more preparation and documentation.

- Country-Of-Origin-Labelling (COOL): Implementation of the mandatory labeling program for meat, produce and peanut was delayed until September 30, 2008. Under the new law, every commodity affected exported to the US will have to be indelibly labeled "Made in Canada". Such requirements were expected to hurt

[18] Agriculture and Agri-food Canada, Agri-Food Trade Service

Canadian exports. Detailed information can be found on the US Bureau of Customs and Border Protection trade publications page at www.customs.treas.gov/xp/cgov/toolbox/publications/trade.

- Harmonized System (HS): a product can not be exported without its Harmonized System code (HS code). The Harmonized System is an international commodity-description and coding system, upon which the tariffs of most countries of the world are based.

- Technical regulations, standards and conformity assessment: there may be technical requirements related to the sale of a product in the United States. These requirements may be contained in government laws and/or regulations may have been established at the federal, state and/or local levels. For example: all organic products entering the US must be certified according to NOP (National Organic Program, USDA Agency) regulation.

- World Trade Organization Agreement on Sanitary and Phytosanitary (SPS): this particular class of standards constitutes a major part of the trade of agricultural and natural resource products. For details, refer to: www.wto.org/english/tratop_e/sps_e/sps_e.htm

- Labelling and marking requirements: several US agencies have special marking and labelling rules. Canadian producers will find specialized labelling information for their sector on the Agriculture and Agri-Food Canada Web site at

  http://ats-sea.agr.gc.ca/access/groundwork_e.htm

  The major American agencies with special labelling rules are the Federal Trade Commission (FTC) (www.ftc.gov), Food and Drug Administration (FDA) (www.fda.gov), and the US Department of Agriculture (USDA) (www.usda.gov).

  Details concerning types, sizes, location are found in FDA regulations and are summarized as follow:

  - If the label of the food bears representations in a foreign language, the label must bear all of the required statements in the foreign language as well as in English.
  - If the food is packaged, the followings must appear on the label in English:
  - Name
  - Street address
  - City, Province, Postal Code (manufacturer, distributor or packer)
  - Accurate statement of the net amount of food in the package
  - Drained weight rather than net weight for some products
  - The common name of a food must appear on the principal display panel, in bold type and in lines generally parallel to the base of the package
  - The ingredients in a food must be listed by their common or usual names in decreasing order of their predominance by weight
  - Nutrition information must be provided on the label for almost all packaged foods intended for sale to the consumer

- US Bioterrorism Act: all companies importing food and agricultural products into the US must register their company with FDA. The key points of the regulation state that companies must: provide prior notice of product crossing the border, employ a US based agent; and be prepared to provide more detailed information if food products are stopped at the border. For more information: http://www.cfsan.fda.gov/

Cultural

Similarity of language, attitude and business practices somewhat blur the differences between Canada and the United States. The challenge for Canadian exporters is to consider the US as a separate market with distinct sub-markets and keep in mind that both countries do maintain key differences in economic policy, and respond in different ways to world economic conditions and the global free trade agenda.

Typically US buyers demand frequent sales calls and appreciate the assurance of a local contact.

Opportunities

The Pacific Northwest region stands out as a top priority market for different sector for Alberta companies given some of the followings factors:

- Affluent consumer base with over 12 million people (4% of the total US population)
- High per capita income and income growth
- Manageable size of the market (mix of small and large chains)
- Consumer preferences, which Alberta companies can supply

- Specialty market offers a broad range of niches (baked goods, cereals, dressings, meats, dairy, ethnic foods etc)
- Market in demand of natural foods (the region counts 25% of all natural food stores)
- Proximity of the market – low transportation costs
- Affinity and awareness of products from the Canadian Western provinces[*]
- Population open to trying new products
- US retailers look for unique rather than "me-too" products
- Private label offers opportunities for processors who will not have the expertise or funds to promote their own brand but have the capabilities at the right price

Strong interest for specialty, organic, natural, health and functional foods offer many opportunities for Alberta companies. More supermarkets offer more organic and natural products that are comparable in price to mainstream products. Exports of beef and live cattle should continue given the strong demand for quality meat and meat products. Canola seed and other ingredients for health foods is another sector in which Alberta companies are well positioned.

Demand for ready meals represents opportunities for value-added products from Alberta. Consumers want nutritious meals that are convenient and make them feel that they prepared the food themselves. Other states offer many opportunities for Alberta exporters for similar reasons in particular California, Texas, Illinois and Florida.

Table 4: priority regions and opportunities in the US for Alberta

Priority states and regions that Alberta should target include: - California - Pacific Northwest - Colorado - Minnesota - Texas, Arizona, New Mexico	Priority products that Alberta should export include: differentiated value added - beef/pork - functional - food ingredients - oilseed (canola) -processed potatoes
Short term opportunities for Alberta include: - natural and organic products - beef - value added and ready meals - specialty foods	Long term opportunities for Alberta include: - canola oil - foods addressing specific dietary concerns (cholesterol, diabetes…) - functional foods

Advantages and Challenges

The continent is becoming more interdependent and each country still maintains its own sets of advantages and challenges.

Advantages for the Alberta food processors include:

- Proximity of the markets
- Similar lifestyles and consumption trends
- Duty free tariff treatment for most products under NAFTA
- Awareness and demand for product brands
- Quality and safety perceptions
- Similar food shopping patterns

Market barriers for the Alberta food processors include:

- Price competitiveness
- Limited retail shelf space for the proliferation of products offered
- Listing fees and product promotion costs
- Supply and export capabilities (small companies are unable to supply the size of orders that retail chains expect)
- Inability to distinguish Canadian/Alberta products from domestic, particularly in the meat sector

[*] Historically, Alberta has exported commodities such as live animals, feed, grains, pulses and boxed beef. More recently, growth has been in more value-added products such as sandwiches with longer shelf live, nutritional supplements, frozen ready meals and specialty canola.

- The supply system limits production capability for dairy, poultry and eggs. These products are also exempt from preferential trade agreements, such as NAFTA, resulting in high tariffs
- Strong competition from domestic suppliers
- Consolidation of industry impedes suppliers access to buyers/distributors
- Legislation related to food security such as Prior Notice, record keeping and designated US representative
- Currency fluctuations

Exporters can quickly overlook the ways in which the two countries differ because of the language, proximity and similarities. Exporters face the challenge of treating the US as a separate market from Canada. Exporters should be aware of the differences in packaged sizes, chemical tolerances and nutrition labelling requirements. Trade policies differ on the other side of the border and some products may be subject to tariff rate quotas. Exporters should also be prepared against fluctuations of the US dollar. Alberta companies exporting products to the US must compete with each other and with other US domestic suppliers. The variety of market segments make it difficult to stay focused on the areas where the company can best apply its strength. The main reasons Alberta companies do not succeed in their export strategies include:

- Lack of quality and regulations compliance;
- Insufficient market knowledge; and
- Lack of commitment in the export initiative.

Other reasons include:

- Cost effective transportation and distribution;
- Limited access to buyers, specifically retail buyers;
- Lack of knowledge of Canadian food products among target food brokers;
- Lack of product specific competitive intelligence; and
- Market saturation from multinational and national competitors.

Exporters should be aware of the characteristics of the markets they decide to enter. Exporters should also be ware of the impediments to trade presented by non-tariff barriers, security issues and “Buy American” policies. Companies willing to expand beyond the border can develop long-term competitive presence in the US market.

FURTHER INFORMATION

Alberta-United States Relations
http://www.international.alberta.ca/921.cfm

Alberta Agriculture and Food
http://www.agric.gov.ab.ca

International and Intergovernmental Relations
http://www.international.alberta.ca/

Agriculture and Agri-Food Canada (AAFC)
http://www.agr.gc.ca

AAFC, Trade Service
http://ats-sea.agr.gc.ca

Foreign Affairs and International Trade Canada
http://www.dfait-maeci.gc.ca/

US Census Bureau
http://www.census.gov/

US Bureau of Economic
Analysis
http://www.bea.gov/

United States Department of Agriculture – Foreign Agriculture Service
http://www.fas.usda.gov/

NAFTA
http://www.nafta-sec-alena.org/

Industry Canada
http://www.ic.gc.ca

Strategis Canada
http://www.strategis.gc.ca

Trade Shows

Natural Products Expo West
Fancy Food Show, Chicago
USA Food Show
West Pack Show
Canadian International Food and Beverage
SIAL, Montreal Canada
American Food Fair at NRA
PacEx International
International Baking Industry Exposition IFE Americas
International Pizza Expo
Natural MarketPlace
Dairy-Deli-Bake
Wine and Food Experience
Summer International Fancy Food & Confection
Food Safety & Security Summit
All Things Organic
The FMI Show
Spring Fancy Food and Confection Show
NRA Show
Private Label Manufacturers Association World Pork Expo

For details on upcoming events and trade shows:
http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/trade11608

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