



FCC Ag Economics
Trade Ranking Report:
Manufactured Food

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Canada

Introduction

There's good reason to be optimistic about the future of Canada's agri-food sectors.

Demand for agricultural commodities and manufactured food products continues to grow. Emerging economies like China and India are dominating import growth thanks to their increasing population. In the last decade, other markets have also shown potential as agricultural and food trading partners. They're markets where more households now have more income, which means they're eating more, especially value-added food products.

Global agricultural and food trade rankings over the last decade are a barometer of how the world is changing. Between 2007 and 2014, Canada ranked 12th or 13th in world exports of manufactured food products. That ranking has since improved to 11th, with Canada jumping ahead of New Zealand and Malaysia.

Canada has also ranked as the world's fifth-largest exporter of agricultural commodities since 2011. From 2007 to 2009, Canada ranked 3rd globally, and moved to 4th place between 2010 and 2011.

As a top trader of both agricultural commodities and manufactured food, Canada is poised to push even higher in world trade rankings, with increased exports of agricultural commodities and food products that are highly valued or have experienced world-leading growth since 2007. The world's appetite for pulses, soybeans, and fresh fish represents opportunity for Canadian agricultural exporters, while global demand for meat, food preparations, malt, coffee and bread may signal great potential taking shape in the next era for Canadian food exports.

The time is right for Canada to increase its presence in global manufactured food export markets. The FCC Ag Economics Trade Rankings reports for agriculture and manufactured food products provide perspective on that goal.

How we collected the data

Global trade: We started with 96 manufactured food products coded according to the Harmonized System (HS) 4-digit level from the following categories: HS02 (meat and edible offal), HS04 (dairy), HS09 (coffee), HS11 (products of the milling industry), HS15 (fats and oils), HS16 (preparations of meat, fish), HS17 (sugar), HS18 (cocoa), HS19 (preparations of cereals, flour), HS20 (preparations of vegetables) and HS21 (miscellaneous edible preparations).

We selected the 51 food products whose total export values in 2016 accounted for at least 0.5% of the world's manufactured food exports.

Canada's trade: We started with the same 96 products from the listed HS categories. Of those, 32 products had export values in 2016 accounting for at least 0.5% of Canada's total manufactured food exports. We excluded food products that have grown more quickly, but represented very small values.

All trade data were extracted September 2017 from UN Comtrade.

Global rankings: Manufactured food exports – 2016

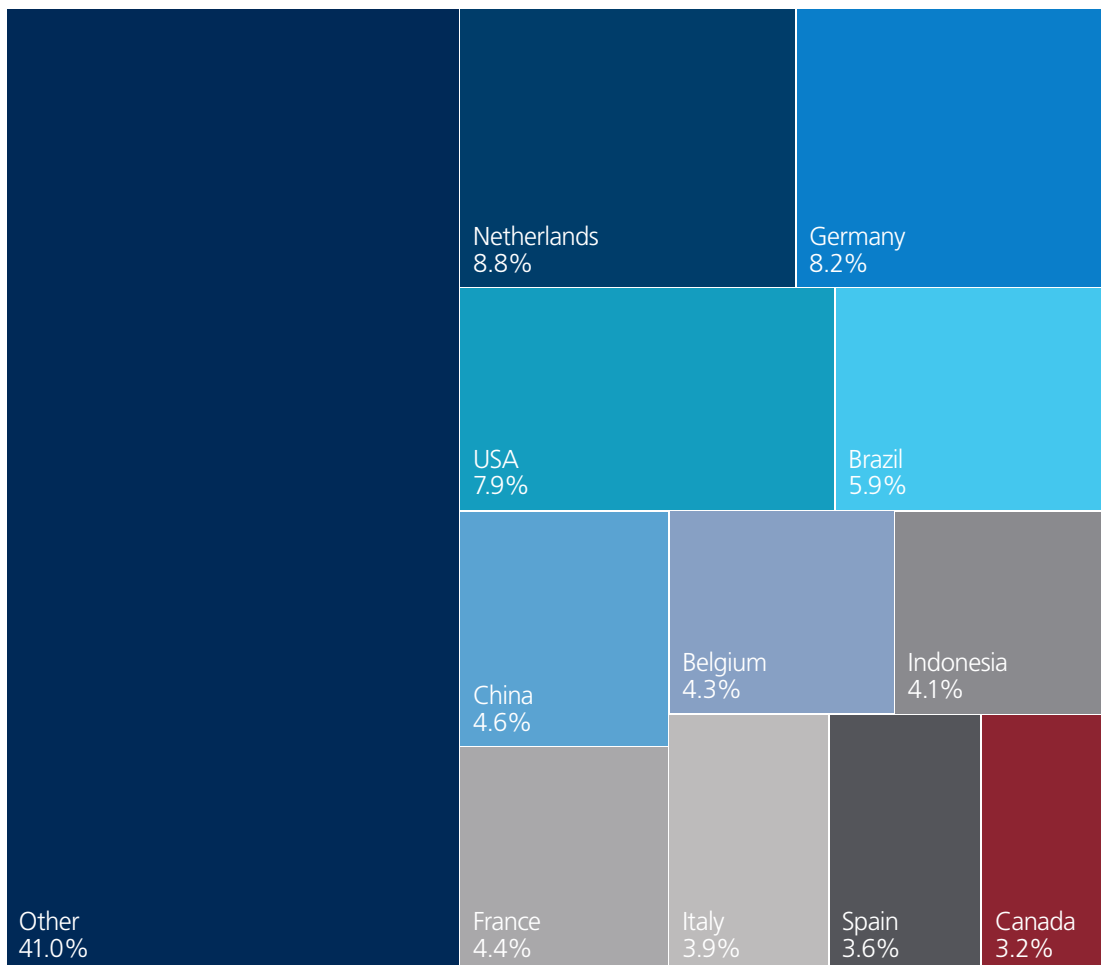
In 2016, Canada had the world's 11th-highest manufactured food export values (Figure 1). Canadian businesses exported US\$19.1 billion worth of manufactured food products, accounting for 3.2% of the world's total food exports in 2016.

Total global exports of manufactured food products reached US\$602.5 billion in 2016. The Netherlands, the U.S. and Germany were the year's top exporters, a ranking they've maintained since 2010. The three countries together accounted for 24.9% of world manufactured food exports in 2016.

Canada jumped ahead of Malaysia and New Zealand in global rankings after declining world dairy prices in 2014 lowered New Zealand's dairy export values in 2015.

Malaysia's total manufactured food export values tumbled in the same period, as the Netherlands, traditionally a large importer of Malaysian palm oil, increased their imports from other palm oil producers (Papua New Guinea, Guatemala, Colombia and Honduras). Canada's diversity in manufactured food exports provides some resilience against disruptive global market forces. Malaysia and New Zealand are more dependent on exports of a single manufactured food product.

Figure 1: Canada was the world's 11th-largest exporter of manufactured food products in 2016



World's highest-valued manufactured food exports – 2016

Canada was a relatively small player in exports of food products with the highest overall dollar values in 2016 world trade (Figure 2). The top 15 food export values accounted for US\$339.9 billion, or 56.4% of the world's total manufactured food exports in 2016. Canadian exports of these products totaled US\$10.4 billion.

Canada doesn't produce and/or export palm oil, cheese and curd, sweetened milk and cream, cane or beet sugar, or poultry – five food products that were included in 2016's global 15 top-valued exports. Canada's presence in global trade instead comes from its "Top 3" ranked position among world exporters of nine food products (canola oil, bovine fat, cereal groats, cereal grains, crustaceans and mollusks, bread products, pig fats, and malt). Canada is also a world leader in exports of soy oil, which allows Canadian oil exports to compete directly with palm oil.

See Appendix A for the coded HS categories included in Figures 2-7.

Figure 2: The world's highest-valued manufactured food exports – 2016



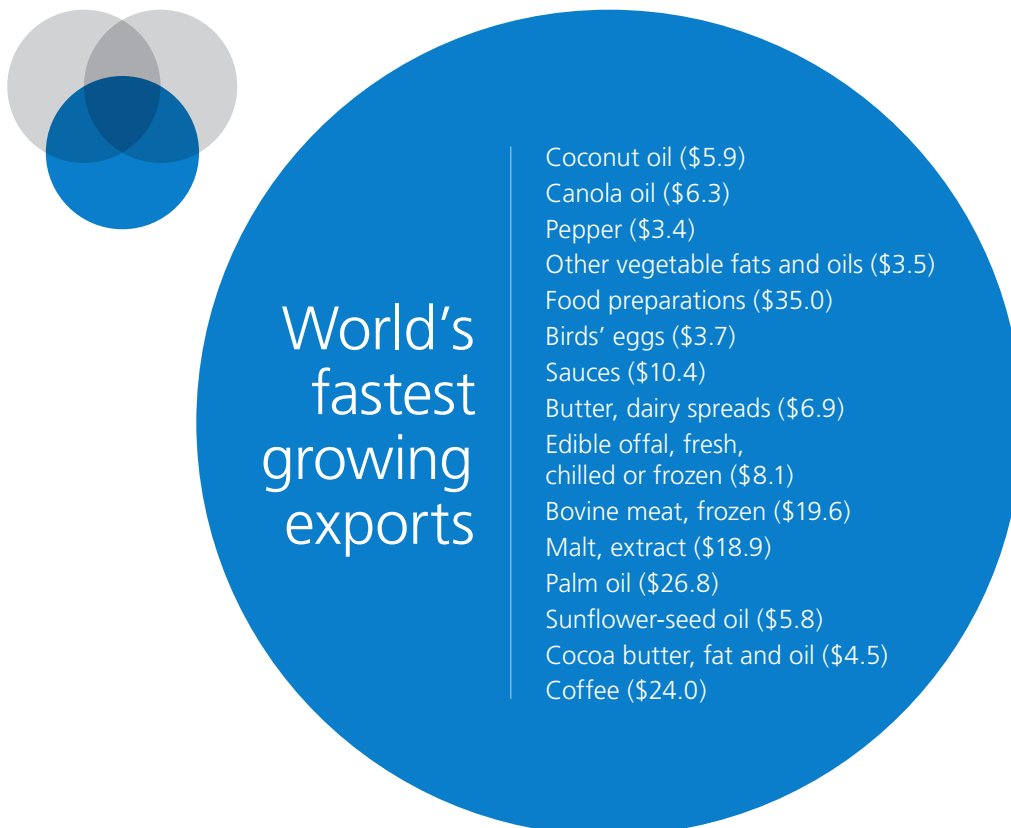
(Global 2016 export values in billions of USD)

World's fastest-growing manufactured food exports: 2007-16

The average annual growth rates of the 15 fastest-growing commodities (2007-16) ranged between 5.3% (butter, dairy spreads) to 11.4% (coconut oil, etc.). Income, population and consumption trends have led to much faster growth of exports of animal-based proteins, sugars, fats and oils over the last decade. These foods occupy eleven of the top 15 categories of the world's fastest-growing food exports.

They're fast-growing food exports, but not necessarily large (by USD) export categories. Five commodities among the highest-valued exports (Figure 2) and the world's fastest-growing exports in the last decade (Figure 3) include food preparations (with an average annual growth of 6.4%), frozen beef (9.0%), malt extract (8.4%), palm oil (6.8%) and coffee (5.6%).

Figure 3: World's 15 fastest-growing manufactured food exports: 2007-16



(Global 2016 export values in billions of USD)

Canada's highest-valued manufactured food exports – 2016

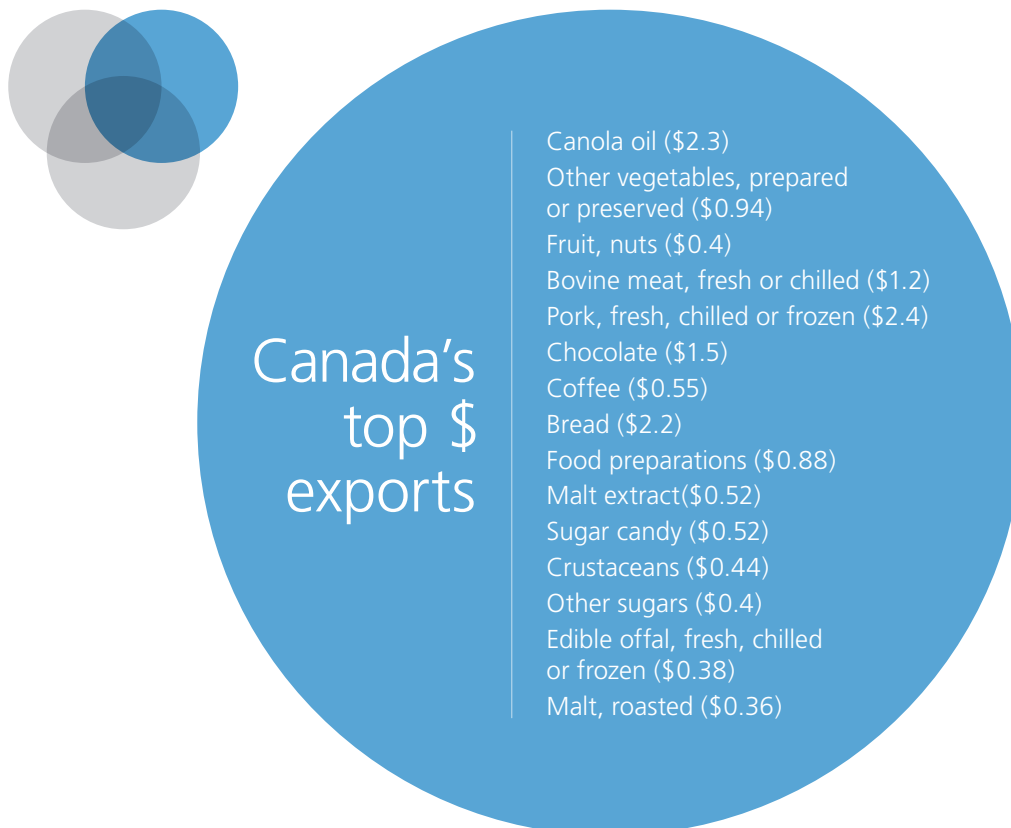
The food products making up Canada's 15 highest-valued exports totaled US\$15.0 billion in 2016, accounting for 78.5% of all Canadian food exports and 2.5% of overall global exports of manufactured food products (Figure 4).

Exports of canola oil and beef offal are some of Canada's highest-valued exports, and overall global exports of these commodities are growing.

Of the other food commodities that make up a significant portion of Canadian food exports, several stand out for their importance in world trade. Pork, bread, chocolate, fresh beef, and "fruit and nuts" were among Canada's, and the world's, highest-valued food exports traded in 2016.

Coffee, food preparations and malt extract exports were the only three commodities that counted among Canada's highest-valued exports (Figure 4), the world's highest-valued exports (Figure 2) and the world's fastest-growing exports between 2007 and 2016 (Figure 3).

Figure 4: Canada's highest-valued manufactured food exports – 2016



(Canada's export values in billions of USD)

Canada's fastest-growing manufactured food exports: 2007-16

Many of Canada's fastest growing exports aren't growing quickly at the global level (e.g., soy oil, fruit and nuts, etc.) (Figure 5). Several represent food products of which Canada is a relatively small exporter (e.g., bread and chocolate).

Still others are quickly growing, highly valued Canadian exports. Canola oil was Canada's second-highest-valued export in 2016, totaling US\$2.3 billion. They represented

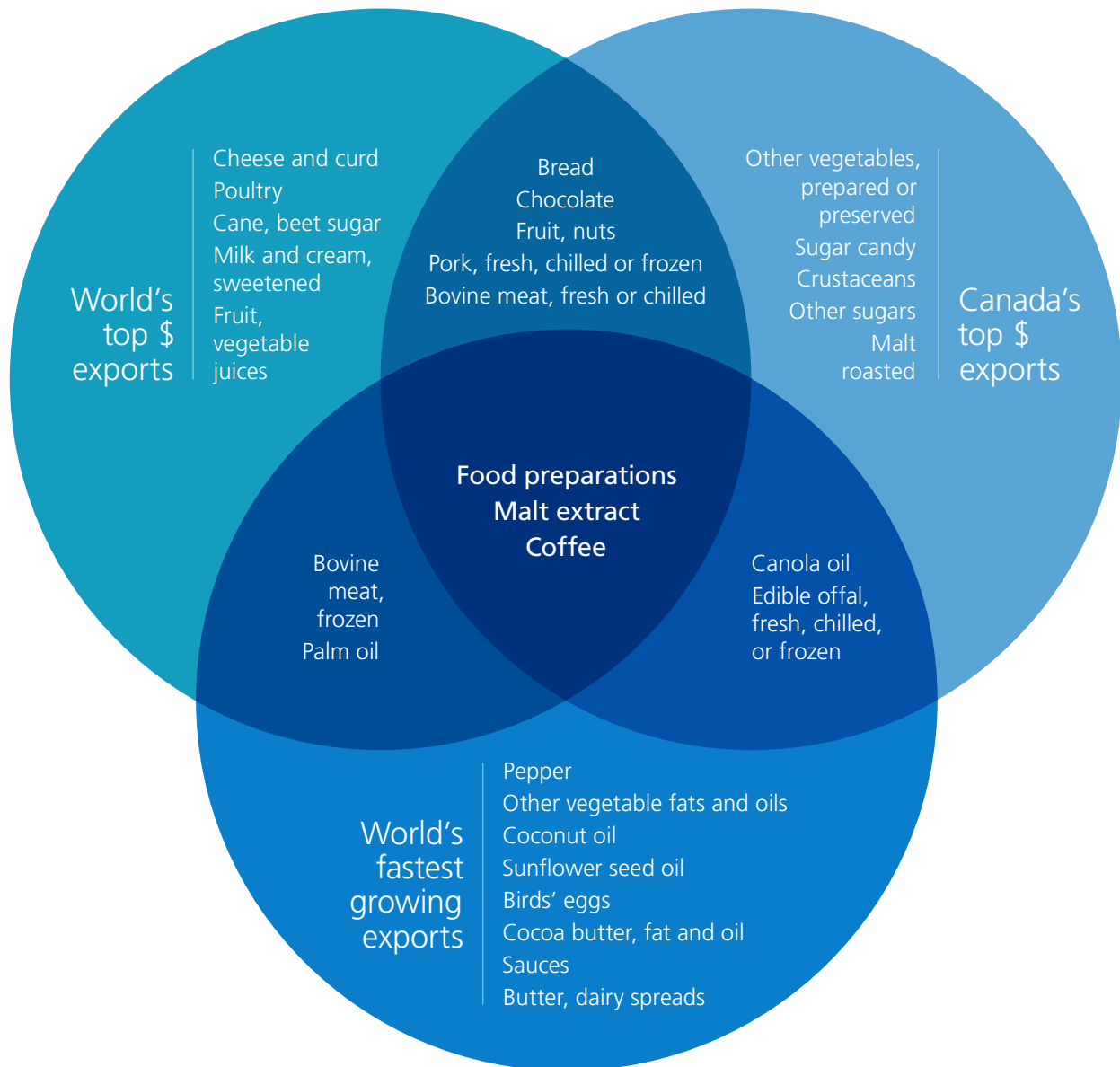
37.1% of the global canola oil market, which had the world's third-highest average annual growth (9.3%) of manufactured food exports between 2007 and 2016. Despite this successful growth and Canadian prominence within the market, global exports of canola oil totaled US\$6.3 billion, or 1.0% of total manufactured food trade.

Growth in Canada's exports of several of these commodities has arisen from changing global demand. Canadian exports of frozen beef, coffee, fruits and nuts, chocolate, bread and edible offal, each a commodity with some of the highest global growth rates since 2007, represent large and/or expanding markets.

Figure 5: Canada's 15 fastest-growing manufactured food exports: 2007-16

Commodity	Export Values, 2016 (USD, billions)	Average Annual % change, 2007-16
Soy oil	\$0.13	28.2%
Bovine meat, frozen	\$0.29	18.4%
Coffee	\$0.56	16.7%
Canola oil	\$2.3	13.9%
Fruit, nuts	\$0.4	11.1%
Other prepared, preserved meat, offal	\$0.32	9.2%
Cereal groats	\$0.13	8.5%
Chocolate	\$1.5	8.5%
Bread	\$2.2	7.5%
Cereal grains	\$0.17	6.8%
Wheat or meslin flour	\$0.14	6.5%
Crustaceans	\$0.44	6.3%
Edible offal, fresh, chilled or frozen	\$0.38	6.2%
Margarine	\$0.11	5.7%
Malt, whether or not roasted	\$0.36	5.4%

Figure 6: Finding the sweet spot for Canadian exports



In summary, canola oil and beef offal are Canadian strengths and, are growing quickly at the global level (Figure 6). Canada is a top exporter of fresh beef, chocolate, bread, pork and fruit and nuts – each a large global market. But

food preparations, malt and coffee are current “sweet spots” for Canadian exporters: each is a world top-dollar export, a Canadian top-dollar export and among the fastest-growing exports in the world.

Canada's revealed comparative advantage

Revealed comparative advantage (RCA) is one way to define the sectors in which Canada has an advantage, relative to the competition, in being able to meet potential export opportunities.

Canada has a comparative advantage in 23 different manufactured food commodities (Figure 7). The majority of those represent export markets that are neither large nor growing markets. However, Canada may be particularly well-poised to exploit opportunities to grow exports of canola oil, edible offal, fresh beef, pork, chocolate and bread.

Canada's revealed comparative advantage

An exporting country is considered to have a comparative advantage over other countries if its exports of a commodity represent a greater share of its total exports of that commodity's class of goods than it does in global trade flows.

How it works

In 2016:

Canada's pork exports were valued at US\$2.4 billion. Canada's exports of total manufactured food products were valued at US\$19 billion in 2016. Pork therefore represented 12.6% of Canada's total manufactured food product exports (\$2.4 billion/\$19 billion).

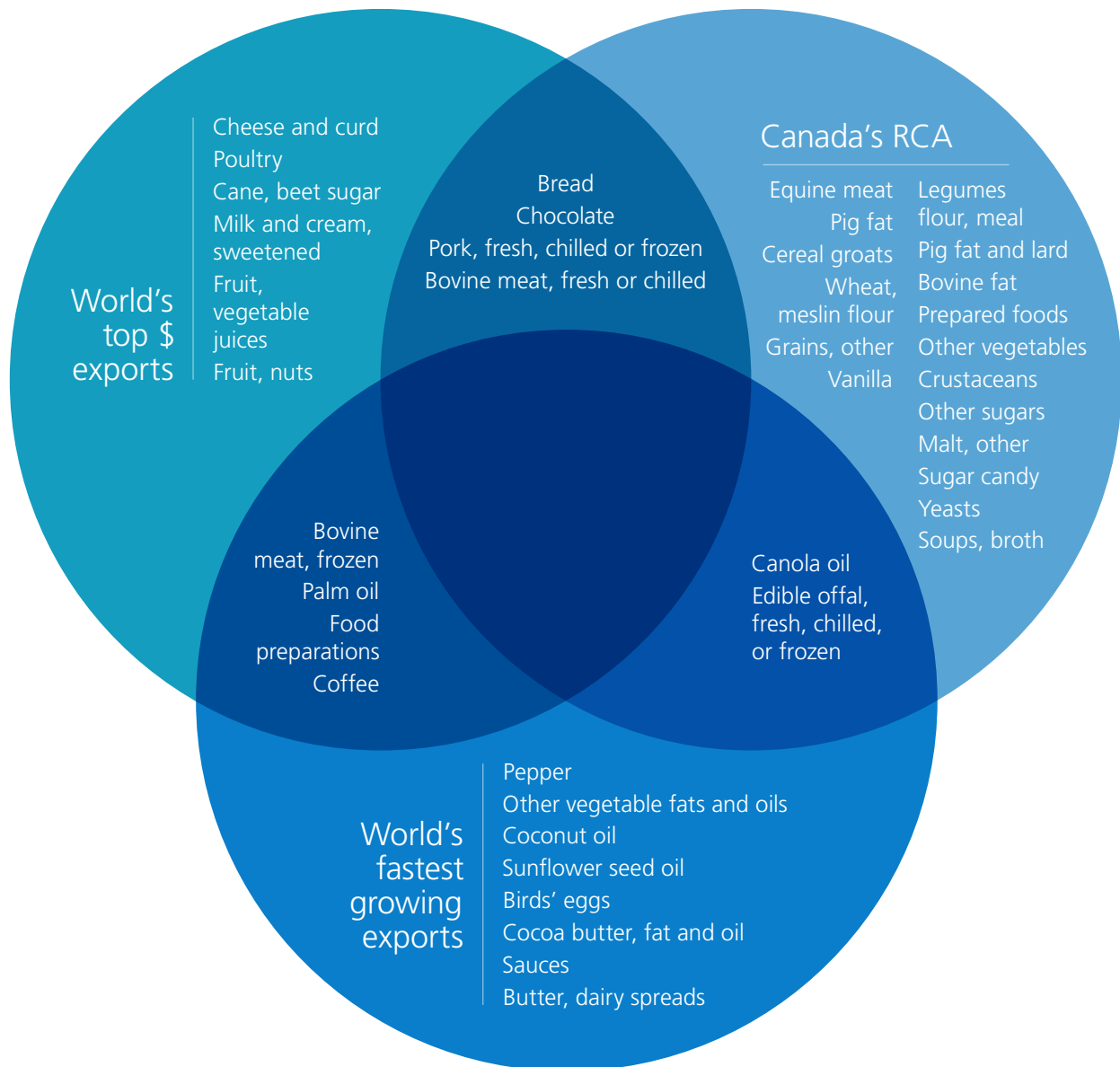
World pork exports were valued at US\$25.6 billion. World exports of manufactured food products were valued at US\$602 billion.

Pork therefore represented 4.3% of the world's total manufactured food product exports (\$25.6 billion/\$602 billion).

Because pork represented a greater share of Canada's manufactured food product exports than it did at the world trade level, Canada has a revealed comparative advantage of 2.9 (12.6:4.3).

We defined Canada's revealed comparative advantages for all 96 manufactured food products.

Figure 7: Canada's comparative advantage in growing manufactured food exports



Canada produces many food products that are currently either highly valued global exports or are experiencing growing demand in world markets. That's a key strategic advantage as global growth in household income allows consumers to, first, eat more calories and, eventually, change the composition of those calories.

A further strategic advantage lies in Canadian production and export of vegetable oils, red meat and plant-based proteins. Growing world demand for these products will help Canada strengthen its current ranking as a leading exporter of manufactured food products.

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Appendix A:

Figure 2 includes:

HS2106- Food preparations, HS1905- Breads, HS0203- Pork fresh, chilled or frozen, HS1511- Palm oil, HS0406- Cheese and curd, HS1806- Chocolate, HS0901- Coffee, HS0207- Poultry, HS1701- Cane, beet sugar, HS0201- Bovine meat, fresh or chilled, HS0202- Bovine meat, frozen, HS1901- Malt extract, HS0402- Milk and cream, sweetened, HS2009- Fruit, vegetable juices, HS2008- Fruit and nuts

Figure 3 includes:

HS1513- Coconut oil, HS0206- Edible offal, fresh, chilled or frozen, HS1514- Canola oil, HS0202- Bovine meat, frozen, HS0904- Pepper, HS1901- Malt, extract, HS1515- Other vegetable fats and oils, HS1511- Palm oil, HS2106- Food preparations, HS1512- Sunflower-seed oil, HS0407- Birds' eggs, HS1804- Cocoa butter, fat and oil, HS2103- Sauces, HS0901- Coffee, HS0405- Butter, dairy spreads

Figure 4 includes:

HS2106- Food preparations, HS1905- Breads, HS0203- Pork fresh, chilled or frozen, HS1806- Chocolate, HS0901- Coffee, HS0201- Bovine meat, fresh or chilled, HS1901- Malt extract, HS2008- Fruit and nuts, HS1514- Canola oil, HS0206- Edible offal, fresh, chilled or frozen, HS2004- Other vegetables, prepared or preserved, HS1704- Sugar candy, HS1605- Crustaceans, HS1702- Other sugars, HS1107- Malt roasted

Figure 5 includes:

HS1507- Soy oil, HS0202- Bovine meat, frozen, HS0901- Coffee, HS1514- Canola oil, HS2008- Fruit and nuts, HS1602- Other prepared, preserved meat, offal, HS1103- Cereal groats, HS1806- Chocolate, HS1905- Breads, HS1104- Cereal grains, HS1101- Wheat or meslin flour, HS1605- Crustaceans, HS0206- Edible offal, fresh, chilled or frozen, HS1517- Margarine, HS1107- Malt roasted

Figure 6 includes:

HS2106- Food preparations, HS1905- Breads, HS0203- Pork fresh, chilled or frozen, HS1511- Palm oil, HS0406- Cheese and curd, HS1806- Chocolate, HS0901- Coffee, HS0207- Poultry, HS1701- Cane, beet sugar, HS0201- Bovine meat, fresh or chilled, HS0202- Bovine meat, frozen, HS1901- Malt extract, HS0402- Milk and cream, sweetened, HS2009- Fruit, vegetable juices, HS2008- Fruit and nuts, HS1513- Coconut oil, HS0206- Edible offal, fresh, chilled or frozen, HS1514- Canola oil, HS0904- Pepper, HS1515- Other vegetable fats and oils, HS1512- Sunflower-seed oil, HS0407- Birds' eggs, HS1804- Cocoa butter, fat and oil, HS2103- Sauces, HS0405- Butter, dairy spreads, HS2004- Other vegetables, prepared or preserved, HS1704- Sugar candy, HS1605- Crustaceans, HS1702- Other sugars, HS1107- Malt roasted

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