

## **Economic Characteristics of the Countries**

An analysis of economic characteristics of the countries in this study provides insight into the reasons for the recent growth in U.S. direct investment in particular countries: Canada, Mexico, Brazil, and Argentina. A snapshot of the selected countries shows that the ratio of sales from affiliates to U.S. exports is smaller in Canada than in the other selected Western Hemisphere countries. Canada is the leading recipient of U.S. direct investment and the leading importer of U.S. processed foods. Moreover, Canada is unique among the four countries selected in that U.S. processed food exports have consistently increased in the 1990's. This growth is an indication of the intertwining of the U.S. and Canadian economies, particularly along the border States and Provinces. Canada has had the largest absolute growth in two-way processed food trade and investment in the hemisphere. Two-way growth has also occurred between the United States and other developed countries in Europe. Canada's proximity to the United States, its recent economic growth, and the decline in tariffs between the United States and Canada reinforce the already strong environment for bilateral trade and investment.

In contrast, Argentina has the smallest direct investment from the United States, mostly due to the smaller country size of Argentina in terms of population and income. On the other hand, U.S. investment in Argentina's food processing industry is larger than in Mexico's or Brazil's when expressed in terms of per capita investment. Argentina and Brazil have the highest ratios of sales from affiliates to U.S. exports. These countries are essentially exporters of agricultural products, often producing the same products as the United States. Argentina and Brazil are also sufficiently distant from the United States so that higher transportation costs make exports less economically feasible than FDI. They have also experienced sufficient economic growth to generate consumer demand for processed food products and have achieved sufficient economic stability to entice investment from foreign companies. Foreign direct investment permits U.S. companies an opportunity to capture a market that they otherwise would not have.

The characteristics reviewed in table 7 correspond roughly with the list of characteristics that relate to global foreign direct investment in the food industry listed by Reed and Ning (1994)— economic growth, real interest rate differential between the host country and the United States, relative real exchange rates, GDP of the host country, relative wage levels between the United States and the host country, foreign income tax rate, and variables for membership in the European Union and being an English-speaking country.

## **Canada<sup>2</sup>**

### **The Canadian Market for Processed Food**

Canada is one of the top markets for U.S. processed food. Canadians spend about 10 percent of their incomes on food, and income growth has been strong to promote consumer demand (fig. 11). Canadian food purchasing habits are nearly the same as they are in the United States, where frozen and prepared foods are often the same brand names. Toronto (3.9 million), Montreal (3.1 million), and Vancouver (1.6 million) have fast-growing populations and account for 30 percent of Canada's total population. The Canada-U.S. Free Trade Agreement (CUSTA, 1989) and the NAFTA (1994) have provided more opportunity for expanded consumption of processed foods in Canada by providing a wider variety of U.S. and Canadian products.

Demand for processed foods is expected to increase as the population changes in terms of demographics, ethnic diversity, income, and lifestyles. The increase in the number of working women and one-person households and an increased awareness of international foods have also accelerated demand for packaged foods, new value-added foods, and food preparations. For example, snack foods, such as potato chips and nachos, have gained in popularity.

Demand for basic foods has been fulfilled in Canada, and consumption of processed foods is high. Most food is purchased in supermarkets, 1,641 in 1993, which is about 1 supermarket per 20,000 people. This compares

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<sup>2</sup>The material in this section is synthesized from a variety of sources, including FAS Online Food Market Overview, World Bank data, *Journal of Commerce*, *Wall Street Journal*, and Food Bureau, Agriculture and AgriFood Canada. Complete citations are given in the References.

with the 24,600 supermarkets in the United States, which is about 1 supermarket per 11,000 people.

### Canada's Processed Food Industry

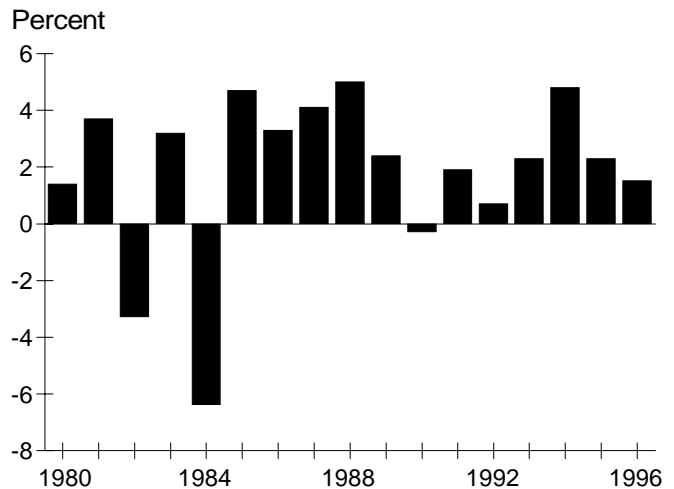
The food and beverage processing industry is one of Canada's largest manufacturing sectors and is highly industrialized. The sector is now dominated by a small number of very large firms, a profound change in less than a decade. Many of the food processing subsectors have a considerable degree of concentration. The industry is structured as a core of 12 multinational firms representing about 35 percent of sales (8 of which are Canadian-owned), followed by 55 large firms with 25 percent of industry sales, and approximately 2,000 smaller firms with the remaining 40 percent of industry sales.

Some Canadian food processors are multinational companies that have expanded to the United States. Likewise, the United States is the largest foreign investor in Canada's food industry, followed by the United Kingdom, the Netherlands, Switzerland, and Belgium. The market share of foreign-controlled firms has increased to 40 percent in the 1990's.

The food processing industry is mostly concentrated in Ontario and Quebec (80 percent of the total), in close

proximity to Canada's population centers. Production is diversified in these two Provinces. Fruit and vegetable processing plays a big role in the economy of the Atlantic Provinces, and meat processing has been the most important value-added sector in the Prairie Provinces.

Figure 11  
Canada: Growth in real GDP



Source: Economic Research Service compiled from World Bank, Economic Indicators STARS program data.

Table 10—Canada's top 20 food processing companies according to 1995 sales

| Company                              | Principal business                        | Sales                | Employment |
|--------------------------------------|---|----------------------|------------|
|                                      |   | Million U.S. dollars | Number     |
| The Seagram Company, Ltd.            | Spirits, juices                           | 5,517                | 15,800     |
| McCain Foods, Ltd.                   | Processed potatoes, juices                | 2,922                | 12,000     |
| Maple Leaf Foods, Inc.               | Meat, processed foods                     | 2,239                | 10,500     |
| George Weston, Limited               | Baked goods, candy                        | 1,905                | 11,100     |
| John Labatt Limited                  | Brewery                                   | 1,702                | 3,800      |
| Kraft Canada, Inc.                   | Cereal, cheese, coffee                    | 1,522                | 4,076      |
| Pepsi-Cola Canada, Ltd.              | Carbonated beverages, snacks              | 1,301                | 15,000     |
| Coopérative Fédérée de Québec        | Dairy, meat                               | 1,102                | 5,684      |
| Ault Foods Limited                   | Dairy                                     | 943                  | 2,900      |
| Cott Beverages, Inc.                 | Carbonated beverages                      | 932                  | 2,145      |
| Nestlé Canada                        | Coffee, prepared foods                    | 794                  | 3,856      |
| Agropur coopérative agro-alimentaire | Dairy                                     | 730                  | 2,220      |
| Burns Foods                          | Meat                                      | 723                  | 3,400      |
| Nabisco, Ltd.                        | Baked goods, canned fruits and vegetables | 678                  | 4,045      |
| Dairyworld Foods                     | Dairy                                     | 645                  | 2,500      |
| Beatrice Foods, Inc.                 | Dairy, baked goods                        | 645                  | 3,000      |
| Molson Breweries                     | Brewery                                   | 608                  | 4,300      |
| Schneider Corporation                | Meat, processed food                      | 603                  | 4,000      |
| BC Sugar Refinery, Ltd.              | Sugar refining                            | 602                  | 1,260      |
| Cargill Foods, Ltd.                  | Meat                                      | 584                  | 1,300      |

Source: Economic Research Service compiled from *Canada's Top Food and Beverage Processors. The Sixth Annual Ernst & Young Food in Canada List of Leading Companies*. The list includes 75 companies. Exchange rate conversion at \$1.37 Canadian = \$1.00 US.

The Canadian food and beverage industry has been undergoing a period of intense restructuring and consolidation during the 1990's. Since the implementation of the CUSTA, the Canadian food industry has expanded globally. North America is being treated as one region so that decisions are made on a north-south basis, rather than an east-west basis. Seagram's and McCain Foods are the largest food and beverage companies in terms of sales (table 10). Plants are being organized across the continent to provide the lowest possible cost structure. New investment in technology is taking place among the medium and large firms. State-of-the-art food processing technology is present in the meat processing sector and the frozen food sector, particularly for frozen potatoes.

### Leading Sectors

The food and beverage industry is one of Canada's largest manufacturing sectors and is also highly industrialized. Meat products represented nearly 21 percent of processed food sales in 1996, with dairy products and feed totaling over 7 percent of sales each (table 11).

**Meat products.** The meat processing industry is Canada's largest food processing industry. It is estimated that beef accounts for 40 percent of the product sales, followed by pork, and processed meat products, with 30 percent each.

The industry is increasing slaughtering capacity in the late 1990's. Virtually all of this additional beef and veal will be exported, as consumption in Canada is expected to remain stable. Over 54 percent of the industry's production is exported, mostly to the United States. Technology, particularly in chilling and producing value-added products, is improving. Boxed beef is being improved through trimming, aging, forming, and portioning. About a fourth of the beef output is further processed by other processors.

The beef industry is highly concentrated and has moved through an extended restructuring period. The top four plants account for 75 percent of the slaughter; two of the largest plants are U.S.-owned. Multinationals have increased the capacity of Alberta plants. Alberta now has over 60 percent of the Canadian federally inspected cattle slaughter, and Cargill and IBP together have 70 percent of that total. Maple Leaf Foods is the leading Canadian-owned company in meat processing, but it has joint ventures with U.S. companies. Increased cattle slaughtering capacity in Alberta in 1997 is fueling a

shift to fewer cattle exports and increased Canadian beef exports.

The pork industry is less concentrated. The top 10 plants accounted for 63 percent of slaughter, and over 95 percent of all pork plants are domestically owned. The pork processing industry is also being upgraded in an attempt to bring presently small Canadian hog and pork operations up to a global size to be competitive at home and abroad. About 70 percent of pork is processed further into value-added cured or cooked products. Recent purchases of pork processing plants by Maple Leaf in western Canada and upgrades in Manitoba by J.M. Schneider, Ltd., are examples of the industry attempting to globalize. Nearly two-thirds of the pork industry is still in Montreal and

**Table 11—Canada's processed food industry by sector, 1996**

| Sector                       | Establishments | Total shipments        | Employees    |
|------------------------------|----------------|------------------------|--------------|
|                              | <i>Units</i>   | <i>Billion dollars</i> | <i>1,000</i> |
| Meat products                | 467            | 8.0                    | 33.2         |
| Poultry products             | 100            | 2.4                    | 14.4         |
| Canned fruits and vegetables | 163            | 2.0                    | 12.4         |
| Frozen fruits and vegetables | 38             | 1.0                    | 5.7          |
| Fluid milk                   | 270            | 2.6                    | 10.5         |
| Other dairy products         | NA             | 3.3                    | 11.2         |
| Flour milling                | 30             | 0.8                    | 2.0          |
| Feed industry                | 475            | 3.4                    | 9.1          |
| Flour mixes and cereals      | 26             | 0.7                    | 3.2          |
| Vegetable oil processing     | 11             | 1.8                    | 1.2          |
| Biscuits and cookies         | 31             | 0.6                    | 6.4          |
| Bread                        | 464            | 1.8                    | 20.6         |
| Cane and beet sugar          | 6              | 0.6                    | 1.7          |
| Chewing gum                  | 5              | 0.3                    | 2.2          |
| Sugar and chocolates         | 97             | 1.0                    | 7.3          |
| Tea and coffee               | 31             | 0.7                    | 3.0          |
| Pasta products               | 29             | 0.2                    | 1.5          |
| Snack foods                  | 30             | 0.8                    | 5.5          |
| Other food processing        | 302            | 3.5                    | 16.4         |
| Soft drinks                  | 103            | 1.8                    | 9.9          |
| Distillery products          | 20             | 0.7                    | 2.3          |
| Brewery products             | 68             | 2.7                    | 10.7         |
| Wine                         | 35             | 0.3                    | 1.1          |
| Total food and beverage      | 3,202          | 41.4                   | 191.4        |

NA = Not available.

Source: Economic Research Service compiled from Statistics Canada. *Manufacturing industries of Canada: National and provincial areas, 1996*, and additional material from the Food Bureau, Agriculture Canada. Some data is most recent data when 1996 data are not available.

Quebec. Olymel of Quebec is the largest hog processor, followed by Maple Leaf Meats.

**Poultry products.** Canada has over 100 primary and further processing meat plants for poultry, including 65 federally inspected establishments. The subsector is entirely Canadian-owned and managed. The four largest poultry processors operate two or more plants in two or more Provinces and account for over 50 percent of production. Ontario and Quebec are the major producing regions, accounting for 66 percent of shipments and 61 percent of plants in 1995.

**Dairy products.** The dairy industry is second in size to the meat processing industry and is one of the most protected processing industries in Canada. Canada has 270 milk processing plants. About 79 percent of Canada's dairy farms are in Ontario and Quebec. Milk production is largely from Holstein, Ayrshire, Jersey, and Brown Swiss cattle that are some of the highest milk producers in the world. There are two markets for milk in Canada. The fluid milk market, which is located mostly in Ontario, accounts for 38 percent of milk production. The industrial market accounts for 62 percent of milk production. Much of the industrial production is in Quebec (the largest producer of cheese, yogurt, and butter) and Ontario (the largest producer of ice cream).

Much of the development of Canadian dairy processing was through farmers' cooperatives. Coopérative Fédérée de Québec is Canada's largest dairy cooperative. Dairyworld is Canada's second largest cooperative and western Canada's largest food manufacturer, with 21 processing plants across 6 Provinces.

Dairy processing has followed the same development process as most other food and beverage subsectors, with a trend toward fewer but larger plants operated by fewer companies. While the number of plants has declined by half since 1975, capital investment in state-of-the-art equipment has increased sharply. Ownership is highly concentrated, with foreign nationals becoming more prominent players. Two organizations have annual dairy product sales in excess of \$1 billion.

**Flour milling.** The milling industry has undergone the closure of plants, reorganization through takeovers, and increased automation. The industry is highly concentrated, with two large U.S.-owned flour milling companies controlling about 75 percent of milling capacity. Since 1994, Canadian wheat milling capacity has declined 1

percent, while U.S. milling capacity increased 6 percent. Investment in buildings has declined since the late 1980's, while investment in machinery and equipment has increased. The Canadian flour milling industry is concentrated regionally. Of the 39 mills in 1995, 70 percent are in Ontario and Quebec, 22 percent are in Prairie Provinces, and the remaining 8 percent are in British Columbia and Nova Scotia.

Canadian exports of flour, wheat gluten, starch, and pasta are increasing as Canadian wheat mills move into value-added products. Increased north-south and intrafirm trade have developed under the Canadian-U.S. Free Trade Agreement of 1989. Archer Daniels Midland is the largest milling company in Canada and is the only manufacturer of wheat gluten and wheat starch in Canada. Pasta manufacturing is also being reorganized along north-south lines as multinationals increase their intracompany trade.

**Prepared flour mixes and cereals.** This subsector is divided into two distinct industries: the prepared flour industry that manufactures cookie, cake, doughnut, pancake, and pastry flour mixes; and the breakfast cereal industry, the larger segment of the industry. This subsector is highly concentrated, with the top four firms accounting for 83 percent of total sales. The multinationals in this subsector operate on a North American product mandate basis, resulting in north/south product movement and considerable import/export activity.

**Cookies and biscuits.** The Canadian biscuit subsector has evolved from one composed of many independent companies to a subsector where ownership of all brands is concentrated in the hands of six or seven domestic or U.S. multinationals. The four largest manufacturers account for 76 percent of total shipments in Canada. While most plants are located in Ontario and Quebec, all of the major manufacturers have U.S. plants and operate continentally. The cookie subsector has restructured since the implementation of CUSTA. Large firms have been able to win product mandates, so that a product mix may be produced on either side of the border with considerable import/export activity.

**Bread and bakery products.** In 1995, there were 454 wholesale bakery establishments in Canada. The subsector is concentrated, with four firms controlling 52 percent of sales. Firms are located across the country, with their relative size and number being roughly proportional to the population. The subsector has undergone some restructuring since 1988, with the closing of smaller plants,



the modernization of others, and the building of new plants. Developments in frozen dough technology have also led to the export potential of the industry. George Weston, Ltd., is the largest conglomerate in bakery products, with interests in both the United States and Canada. Maple Leaf Foods, Inc., is also expanding its frozen dough operations in the United States.

**Canned and frozen fruits and vegetables.** Canada has 159 canned fruit and vegetable establishments, including approximately 90 juice/drink plants. The major canning companies in Canada are subsidiaries of U.S. multinationals and are located close to agricultural production in central Canada and British Columbia. In response to competitive pressures, the number of canneries has declined.

The frozen fruit and vegetable industry is mostly Canadian-owned. The 35 frozen fruit and vegetable establishments are more export-oriented, are generally Canadian-owned, and are more concentrated in ownership. Many freezing plants operate on a scale comparable to nearby U.S. plants, with considerable new investment in new product lines.

Restructuring in both industries has meant that large establishments gained market share at the expense of medium-sized firms, particularly in the canning industry. Multinational subsidiaries will continue to compete for product mandates for the production of specific food products for the North American marketplace, often co-packing for other companies.

McCain Foods, Ltd., Canada's largest frozen food company, has become a major producer of frozen french fries and other potato products. McCain has now expanded its frozen products to include meats. In Canada, McCain Foods, Cavendish Farms, and Midwest Foods, Inc. (Nestlé-Simplot joint venture), are the three largest french fry producers, followed by seven regional producers. Because of the demand generated by fast foods, potato production has grown in Manitoba to the extent that it is now the second largest producing region after Prince Edward Island. Also, most of the demand is by fast food restaurants in the United States, since U.S. imports of french fries from Canada are many times larger than U.S. exports to Canada.

**Feed industry.** The feed manufacturing industry has many producers, including Cargill, Ltd.- Nutrena Feeds. Most feed manufacturers are medium-sized operations. ConAgra plays an important part in grain storage in Saskatchewan because of its ties to value-added flour

mills, malt plants, oat mills, barley mills, fuel plants, and further food processing.

**Oilseed industry.** Canola dominates western Canada's oilseed industry, while soybeans dominate in Ontario. Canada is upgrading its canola crushing facilities to process 4 million tons annually. The Canadian Agra facility at Ste. Agathe, Manitoba; the Cargill facilities at Clavet, Saskatchewan; the CanAmera facility at Harroby, Manitoba; and upgrades of two soybean plants in Ontario are the latest improvements in Canada's oilseed processing industry.

**Soft drinks.** The soft drink subsector is concentrated, as the leading four enterprises controlled 78 percent of the market in 1992. The industry is unique in that a franchise system is controlled by large international brand owners. The soft drink industry mainly includes large foreign-owned multinationals, including U.S. firms. Others, including Cott Beverages, Inc., are smaller but Canadian-owned. In 1995, the subsector had 103 establishments, down from 170 in 1988 as a result of consolidation needed to achieve economies of scale. This high-volume, low-value product is produced regionally in Canada, near major markets, from imported concentrates.

**Snack foods.** Many of the snack food companies are subsidiaries of U.S. companies, such as Kraft. Others are wholly owned, such as Nalley's Canada, Ltd., which began in the United States but later became a separate company.

**Chewing gum and confectionery.** Sugar and chocolate confectionery make up 77 percent of the sales of the 102 establishments that make up the industry. The leading eight confectionery enterprises produce close to 90 percent of the sales. The majority of the shipments are by foreign-controlled multinationals. Ontario and Quebec account for the bulk of the shipments. The confectionery subsector has adjusted to more liberalized trade through a series of acquisitions, mergers, and plant restructurings.

Product mandates are an important feature of trade among continentally based multinationals. Canadian confectioners benefit from low-priced world sugar as an input compared with their competitors in other industrialized countries, who have high tariffs to protect domestic sugar industries. Canadian manufacturers often import confectionery products to round out their product offerings in Canada.

**Sugar.** Canada's sugar industry is dominated by two companies that operate five establishments: BC Sugar Refinery, Ltd., of Vancouver (which owns and operates

three refineries in Canada and Canada's only two sugar beet processing plants) and Redpath Sugars, a subsidiary of the UK's Tate & Lyle PLC (which operates a leading and expanding cane refinery in Toronto, Ontario). Canada's sugarbeet industry is located in the Prairie Provinces. It survives because of efficient production and processing techniques and the additional transportation costs that cane refiners would have to incur to compete locally.

**Breweries.** Beer is the Canadian alcoholic beverage of choice, and most beer is produced domestically. The brewing subsector is dominated by two major multinationals, which controlled 94 percent of the Canadian market in 1995. The balance of the market is supplied by microbreweries.

The largest company, Molson, was founded in the 1700's and has eight breweries in seven Provinces. Molson allied itself (50/50) with Carling O'Keefe, owned by Fosters of Australia, in 1989, and allied itself with the Miller Brewing Company in 1993 to make Molson the sixth largest brewery in North America. Labatt is another large brewery that has entered into agreements with U.S. breweries to expand in the North American market.

The number of conventional breweries declined from 37 in 1988 to 25 in 1995. The decline is a result of the reorganization that occurred in the early 1990's in response to more liberalized trade, changes in Provincial regulations that were the result of the Agreement on Internal Trade, and changes in international trade rules.

**Wineries.** The wine subsector is concentrated in Ontario, Quebec, and British Columbia. As a result of several mergers throughout the 1990's, there are now two dominant national companies, with the top four enterprises controlling about 64 percent of production. The number of establishments decreased 15 percent from 1988 to 1995, and employment decreased 25 percent.

**Distillery products.** The distillery subsector has been declining since 1981. There were only 19 of 38 establishments left by 1994. Four multinationals, including one Canadian firm, control over 80 percent of shipments from the subsector. The bulk of the subsector is in Ontario (eight establishments) and Quebec (six establishments).

### ***U.S. Investment in Canada's Processed Food Industry***

The CUSTA and NAFTA have spawned regionalization of the U.S. and Canadian food industries. Much of the investment has created a north-south, rather than an east-west, orientation between the United States and Canada in terms of trade and integration. U.S. investment in Canada's food industry more than doubled between 1985 and 1995 (table 12). Foreign direct investment in Canada's food and beverage industry is highest in the flour, soft drink, fruit and vegetable products, distilled beverages, and prepared cereal industries, where it represents well over half of the ownership. U.S. investment in Canadian food manufacturing is principally in grain milling and beverages (U.S. Department of Commerce, Bureau of Economic Analysis). U.S. companies, such as Cargill, have invested in Canada for decades. Canadian affiliates of U.S. companies had sales of \$10.4 billion in 1995, and paid more than \$1.6 billion in salaries in Canada. (An extensive list of U.S. affiliates in Canada's food processing industry is presented in table 13.)

### ***Canada's Investment in the U.S. Processed Food Industry***

The United States has historically had a larger direct investment in Canada than Canada has had in the United States. Since the commencement of the Canada-U.S. Free Trade Agreement, Canadian direct investment in the United States has increased faster than vice-versa (tables 12 and 14). Canada's investments in the U.S.

**Table 12—U.S. direct investment in Canada: Benchmark statistics**

| Statistic        | Unit         | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992   | 1993   | 1994   | 1995   | 1996  |
|------------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|-------|
| U.S. FDI         | Mil. dollars | 2,275 | 1,682 | 2,068 | 2,187 | 2,178 | 2,054 | 2,538 | 2,818 | 3,172  | 3,646  | 4,776  | 5,113  | 5,355 |
| Sales            | Mil. dollars | 5,872 | 5,776 | 5,655 | 5,522 | 5,090 | 8,752 | 9,182 | 8,936 | 10,208 | 10,891 | 11,277 | 10,422 | NA    |
| Employment       | 1,000        | 41    | 40    | 40    | 33    | 37    | 44    | 46    | 49    | (D)    | 53     | 54     | 43     | NA    |
| Employee compen. | Mil. dollars | 919   | 921   | 913   | 849   | 1,089 | 1,361 | 1,401 | 1,448 | (D)    | 1,930  | 1,936  | 1,639  | NA    |

Source: Economic Research Service compiled from U.S. Department of Commerce, Bureau of Economic Analysis data.

Note: U.S. FDI is defined here as end-of-year stock. (D) = Not disclosed. NA = Not available.

**Table 13—U.S. affiliates in Canada's food processing industry**

| U.S. company                                  | Address                   | Economic activity  | U.S. affiliate or joint venture  | Address  |
|---|---------------------------|--|--|--|
| <b>Baskin-Robbins</b>                         | Santa Clara, CA           | Ice cream stores   | Baskin-Robbins   | Etobicoke, Ont.  |
| <b>Beatrice Foods, Inc.</b>                   | New York, NY              | Dairy, baked goods   | Beatrice Foods Inc.  | Toronto  |
| <b>Campbell Soup Co.</b>                      | Camden, NJ                | Soups, sauces  | Campbell Soup Co., Ltd.  | Toronto  |
| <b>Cargill, Inc.</b>                          | Minneapolis, MN           | Grains, oilseeds, livestock  | Cargill, Ltd.  | Winnipeg, Manitoba; Alberta  |
| <b>C.H. Robinson Co.</b>                      | Minneapolis, MN           | Importer and wholesaler of fresh produce   | Fresh Factor, Inc.   | Calgary  |
| <b>The Coca-Cola Co.</b>                      | Atlanta, GA               | Soft drinks  | Coca-Cola, Ltd.,<br>Nora Beverages, Inc.   | Montreal   |
| <b>ConAgra</b>                                | Omaha, NE                 | Malting  | Canada Malting, Ltd. Co., Westglen Malting, ConAgra Grain Canada                       | Toronto, Ont.;<br>Montreal, Que;<br>Thunder Bay, Ont.;<br>Vancouver, BC;<br>Los Angeles, CA;<br>Pocatello, ID;<br>Witham, England;<br>Pencatland, Scotland |
| <b>CPC International</b>                      | Englewood Cliffs, NJ      | Corn products, high-fructose corn syrup  | CASCO  | Pointe Claire, Baie d'Urfe, Port Colborne, London, Cardinal  |
| <b>E.M. Warburg, Pincus &amp; Co., Inc.</b>   | New York, NY              | Supermarkets   | Univa (IGA Supermkt.s.)  | Quebec   |
| <b>Gordon Food Service</b>                    | Grand Rapids, MI          | Food services  | Maple Leaf Food Serv.  | Milton, Ont.   |
| <b>Hershey Foods Corp.</b>                    | Hershey, PA               | Chocolates, pasta  | Hershey Canada.  | Mississauga, Ont.  |
| <b>H.J. Heinz</b>                             | Pittsburgh, PA            | Soups, processed vegetables, condiments, fish processing equip., vessels, and licenses | Misner, H.J. Heinz Co. of Canada, Ltd.,<br>Martin Feed Mills, Ltd. (Pet food division) | Elmira, Ont.   |
| <b>Iowa Beef Producers (IBP)</b>              | Dakota City, NE           | Beef processing  | Lakeside Farm Ind.   | Brooks, Alb.   |
| <b>International Multifoods Corp.</b>         | Minneapolis, MN           | Flour, canned goods  | Robin Hood Multifoods Inc.   | NA   |
| <b>The J.R. Simplot Co.</b>                   | Boise, ID                 | Potato and vegetable products  | The J.R. Simplot Co.   | Carberry, Man.   |
| <b>Kerry Ingredients</b>                      | Beloit, WI                | Food products  | Malcolm Food Specialties   | NA   |
| <b>McCormick Co. Ltd./ Schilling Division</b> | Sparks, MD                | Spices   | McCormick Canada, Inc.,<br>Hy's Steak Sauce  | NA   |
| <b>Monsanto Company</b>                       | St. Louis, MO             | Food/beverage ingredients  | Monsanto Canada, Inc.  | Mississauga, Ont.  |
| <b>Morton</b>                                 | Chicago, IL               | Salt   | The Canadian Salt Co., Ltd.  | NA   |
| <b>Nabisco Holdings Corp.</b>                 | Parsippony, NJ            | Pasta, canned tomatoes, pizza sauce  | Primo Foods  | Ontario  |
| <b>PepsiCo</b>                                | Somers, NY,<br>Dallas, TX | Soft drinks, snack foods   | Miss Vickie's,<br>Club House Foods,<br>London, OntarioChips                            | Ontario  |
| <b>Philip Morris, Inc./ Kraft Foods</b>       | New York, NY              | Cigarettes, food products  | Nabob Foods Ltd.,<br>Jello   | Ontario, Montreal  |
| <b>Ralston Purina</b>                         | St. Louis, MO             | Pet foods  | Ralston Purina Canada, Inc.  | NA   |
| <b>Sara Lee Corp.</b>                         | Deerfield, IL             | Pastry products  | Kitchens of Sara Lee Canada  | Bramalea, Ont.   |
| <b>J.M. Smucker Company</b>                   | Orrville, OH              | Jams and jellies   | Culinar, Inc.  | Ontario  |

Continued—

**Table 13—U.S. affiliates in Canada's food processing industry—cont'd**

| U.S. company              | Address        | Economic activity                           | U.S. affiliate or joint venture                  | Address  |
|---------------------------|----------------|---|--|----------|
| Sysco Corporation         | Houston, TX    | Food service                                | Strano Sysco Food Services, Ltd.                 | Ontario  |
| Universal Foods           | Milwaukee, WI  | Flavorings                                  | Champlain Industries Co.                         | Ontario  |
| Value Holdings Inc., Ltd. | FL             | Import and further process poultry products | Ready Bake Foods                                 | Manitoba |
|                           |                | Brewery                                     | Fjord Foods Ltd.<br>Don Valley Brewing Co., Ltd. | NA       |
| Wendy's, International    | Cincinnati, OH | Restaurant chain                            | Tim Horton's                                     | Alberta  |

Sources: Economic Research Service compiled from Vaughn, *Journal of Commerce*, *Feedstuffs*, and material from Agriculture Canada.  
NA = Not available.

**Table 14—Canada's direct investment in the United States: Benchmark statistics**

| Statistic        | Unit         | 1984  | 1985  | 1986 | 1987  | 1988  | 1989  | 1990 | 1991 | 1992  | 1993  | 1994  | 1995  | 1996  |
|------------------|--------------|-------|-------|------|-------|-------|-------|------|------|-------|-------|-------|-------|-------|
| FDI              | Mil. dollars | 89    | 178   | 355  | 430   | 531   | 868   | 986  | (D)  | (D)   | 5,116 | 5,877 | 7,230 | 7,611 |
| Sales            | Mil. dollars | 2,430 | 2,346 | NA   | 3,174 | 3,916 | 5,571 | NA   | NA   | 5,112 | 5,208 | 4,649 | 6,682 | NA    |
| Employment       | 1,000        | NA    | NA    | NA   | 22    | 25    | 30    | NA   | 29   | 25    | NA    | NA    | (D)   | NA    |
| Employee compen. | Mil. dollars | NA    | NA    | NA   | 606   | 740   | 961   | NA   | NA   | NA    | NA    | NA    | (D)   | NA    |

Source: Economic Research Service compiled from U.S. Department of Commerce, Bureau of Economic Analysis data.

Note: U.S. FDI is defined here as end-of-year stock. (D) = Not disclosed. NA = Not available.

processed food industry have reached significant levels. Canada's investment in the U.S. processed food industry hovered at \$900 million in 1989-90, but an influx of Canadian capital in the early 1990's put Canadian investment in the industry in excess of \$5.9 billion. In 1995, U.S. food processing affiliates of Canadian companies had sales of \$6.7 billion, double the level of 1987.

Seagram's/Bronfman Family Foundation is the largest Canadian investor in the U.S. processed food industry, and their investments include wineries in California's Napa Valley, canola processing plants in Idaho, and Tropicana orange juice processing facilities in Florida. McCain is a large Canadian vegetable processor with U.S. affiliates. Imasco, Ltd., owns Hardee's fast-food restaurants in the United States.

### ***U.S. Trade with Canada Compared with Sales of U.S. Affiliates in Canada***

Sales of U.S. affiliates were triple the level of U.S. processed exports to Canada in 1994 (fig. 12). The largest sales from U.S. investments in Canada are from flour milling, soft drinks, and brewing. This is in contrast to U.S. exports of meat products and frozen and canned foods to Canada (table 15). U.S. imports include meat products and frozen and prepared fish, some of which originate from affiliates of U.S. companies in Canada (table 16). Canada is also a large investor in the U.S. food industry, with sales from its investments mostly staying in the United States.

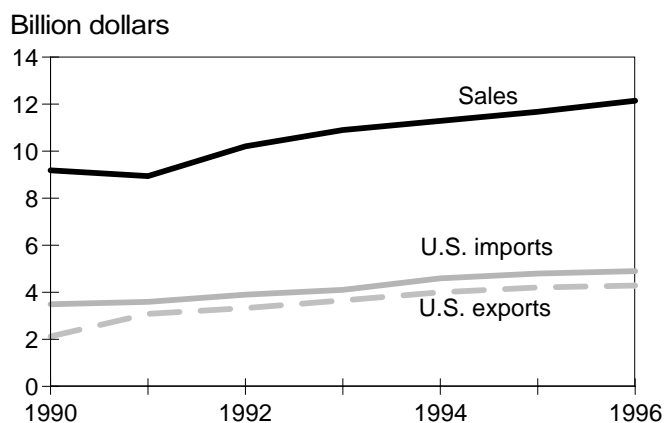


**Table 15—U.S. exports of processed foods to Canada, ranked by 1993-95 average value**

| SIC code               | SIC industry description         | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1993-95 average |
|------------------------|----------------------------------|------|------|------|------|------|------|-----------------|
| <i>Million dollars</i> |                                  |      |      |      |      |      |      |                 |
| 2011                   | Meat packing                     | 419  | 490  | 471  | 481  | 517  | 520  | 506             |
| 2033                   | Canned fruits and vegetables     | 133  | 192  | 258  | 275  | 284  | 327  | 295             |
| 2092                   | Prepared fresh or frozen fish    | 238  | 249  | 230  | 251  | 268  | 322  | 280             |
| 2099                   | Miscellaneous food preparations  | 148  | 171  | 180  | 209  | 361  | 253  | 274             |
| 2075                   | Soybean oil                      | 140  | 175  | 163  | 194  | 184  | 196  | 191             |
| 2047                   | Dog and cat food                 | 102  | 128  | 145  | 164  | 180  | 179  | 175             |
| 2015                   | Poultry processing               | 132  | 135  | 155  | 171  | 170  | 177  | 173             |
| 2066                   | Chocolate and cocoa products     | 90   | 94   | 124  | 147  | 134  | 150  | 144             |
| 2051                   | Bread and bakery products        | 70   | 85   | 105  | 117  | 131  | 135  | 128             |
| 2048                   | Prepared feeds                   | 62   | 75   | 91   | 102  | 111  | 123  | 112             |
| 2091                   | Canned and cured fish            | 76   | 75   | 72   | 96   | 108  | 119  | 108             |
| 2037                   | Frozen fruits and vegetables     | 132  | 116  | 99   | 97   | 102  | 114  | 104             |
| 2034                   | Dried fruits and vegetables      | 95   | 95   | 98   | 103  | 101  | 106  | 103             |
| 2087                   | Flavoring extracts and syrups    | 63   | 71   | 79   | 90   | 96   | 93   | 93              |
| 2095                   | Roasted coffee                   | 35   | 43   | 64   | 67   | 87   | 123  | 92              |
| 2046                   | Wet corn milling                 | 110  | 121  | 99   | 91   | 84   | 95   | 90              |
| 2035                   | Pickled fruits and vegetables    | 47   | 67   | 78   | 77   | 79   | 89   | 82              |
| 2068                   | Salted and roasted nuts          | 59   | 74   | 76   | 82   | 74   | 77   | 78              |
| 2064                   | Candy and confectionery          | 44   | 54   | 63   | 72   | 71   | 79   | 74              |
| 2052                   | Cookies and crackers             | 39   | 45   | 59   | 63   | 60   | 75   | 66              |
| 2044                   | Rice milling                     | 49   | 55   | 58   | 57   | 62   | 70   | 63              |
| 2023                   | Dry and condensed dairy products | 23   | 30   | 39   | 51   | 59   | 57   | 56              |
| 2077                   | Animal and marine fats and oils  | 29   | 33   | 36   | 42   | 54   | 68   | 55              |
| 2086                   | Bottled and canned soft drinks   | 30   | 35   | 29   | 39   | 57   | 68   | 55              |
| 2062                   | Cane sugar refining              | 39   | 36   | 36   | 55   | 57   | 44   | 52              |
| 2084                   | Wines and brandies               | 28   | 36   | 46   | 47   | 53   | 54   | 51              |
| 2043                   | Cereal breakfast foods           | 24   | 37   | 42   | 47   | 50   | 49   | 49              |
| 2038                   | Frozen specialties               | 15   | 24   | 35   | 45   | 52   | 47   | 48              |
| 2045                   | Prepared flour mixes             | 15   | 23   | 32   | 39   | 44   | 44   | 42              |

Source: USDA/ERS Processed Foods Trade Data Set.

Figure 12  
**Sales of U.S.-owned affiliates in Canada vs. U.S. trade in food products**



Source: Economic Research Service compiled from USDA, Economic Research Service Processed Foods Trade Data Set and U.S. Department of Commerce, Bureau of Economic Analysis data.

**Table 16—U.S. imports of processed foods from Canada, ranked by 1993-95 average value**

| SIC code               | SIC industry description              | 1990  | 1991  | 1992 | 1993 | 1994 | 1995 | 1993-95 average |
|------------------------|---------------------------------------|-------|-------|------|------|------|------|-----------------|
| <i>Million dollars</i> |                                       |       |       |      |      |      |      |                 |
| 2092                   | Prepared fresh or frozen fish         | 1,053 | 1,040 | 926  | 906  | 936  | 904  | 915             |
| 2011                   | Meat packing                          | 673   | 652   | 736  | 855  | 891  | 921  | 889             |
| 2085                   | Distilled and blended spirits         | 433   | 312   | 341  | 328  | 304  | 307  | 313             |
| 2076                   | Vegetable oil, other                  | 106   | 151   | 196  | 244  | 331  | 350  | 308             |
| 2091                   | Canned and cured fish                 | 121   | 190   | 193  | 175  | 196  | 216  | 196             |
| 2082                   | Malt beverages                        | 169   | 153   | 151  | 168  | 201  | 197  | 189             |
| 2066                   | Chocolate and cocoa products          | 115   | 127   | 151  | 165  | 178  | 222  | 188             |
| 2099                   | Miscellaneous foods                   | 70    | 119   | 152  | 177  | 172  | 207  | 185             |
| 2051                   | Bread and other bakery products       | 118   | 129   | 140  | 142  | 152  | 155  | 150             |
| 2037                   | Frozen fruits, juices, and vegetables | 80    | 78    | 89   | 120  | 128  | 145  | 131             |
| 2086                   | Bottled and canned soft drinks        | 27    | 84    | 87   | 76   | 120  | 121  | 106             |
| 2046                   | Wet corn milling                      | 98    | 94    | 109  | 104  | 105  | 77   | 95              |
| 2048                   | Prepared feeds and ingredients        | 46    | 46    | 54   | 71   | 98   | 114  | 94              |
| 2043                   | Cereal breakfast foods                | 30    | 49    | 58   | 61   | 75   | 81   | 72              |
| 2047                   | Dog and cat food                      | 48    | 43    | 43   | 52   | 63   | 79   | 65              |
| 2041                   | Flour and other grain mill products   | 19    | 20    | 34   | 47   | 74   | 72   | 64              |
| 2062                   | Cane sugar refining                   | 14    | 25    | 60   | 60   | 71   | 29   | 53              |
| 2052                   | Cookies and crackers                  | 3     | 5     | 12   | 39   | 53   | 68   | 53              |
| 2095                   | Roasted coffee                        | 31    | 30    | 38   | 29   | 52   | 68   | 50              |
| 2033                   | Canned fruits, juices, and vegetables | 27    | 24    | 27   | 32   | 40   | 66   | 46              |
| 2064                   | Candy and confectionery               | 18    | 24    | 31   | 34   | 46   | 58   | 46              |
| 2079                   | Shortening and table oils             | 13    | 23    | 23   | 28   | 38   | 60   | 42              |
| 2067                   | Chewing gum                           | 31    | 35    | 46   | 41   | 39   | 45   | 41              |
| 2053                   | Frozen bakery products                | 15    | 20    | 34   | 36   | 30   | 35   | 34              |
| 2035                   | Pickled fruits and vegetables         | 3     | 8     | 13   | 25   | 30   | 44   | 33              |
| 2087                   | Flavoring extracts and syrups         | 8     | 11    | 17   | 19   | 26   | 29   | 25              |
| 2032                   | Canned specialties                    | 5     | 7     | 10   | 16   | 21   | 28   | 22              |
| 2075                   | Soybean oil                           | 2     | 6     | 7    | 14   | 20   | 29   | 21              |
| 2023                   | Dry and condensed dairy products      | 1     | 5     | 9    | 13   | 23   | 24   | 20              |

Source: USDA/ERS Processed Foods Trade Data Set.

## Rules Pertaining to Foreign Direct Investment in Canada

|                       |  |
|-----------------------|--|
| <b>Main measures</b>  | <p><b>Foreign ownership:</b> Ranges from a portion (financial services) to 100 percent (electricity and gas utilities). Fishing is included among the restricted sectors. There are generally no restrictions on land ownership, but some Provincial governments maintain restrictions on ownership of some recreational and agricultural land. There are no performance requirements.</p> <p><b>Priority sectors:</b> None.</p>                         |
| <b>Others</b>         | <p><b>Licensing:</b> No license approval is needed, but there are screening notification requirements. Review requirements exist for acquisitions exceeding Can\$160 million or indirect acquisitions of more than Can\$160 million where Canadian business exceeds 50 percent of the total transaction.</p> <p><b>Taxation:</b> Tax incentives are available to resident and nonresident firms. There are no foreign exchange controls.</p>             |
| <b>Recent changes</b> | <p><b>June 1985.</b> The Foreign Investment Review Agency (FIRA) was replaced by the Investment Canada Act (ICA), which instituted relaxed screening and notification measures to encourage inward investment.</p> <p><b>1989.</b> The Canada-U.S. Free Trade Agreement (CUSTA) was implemented, and the Foreign Investment Protection Agreement was developed.</p> <p><b>1994.</b> The North American Free Trade Agreement (NAFTA) was implemented.</p> |

*Source: Pacific Economic Cooperation Council, Survey of the Impediments to Trade and Investments in the APEC Region, 1995.*