



Why Don't the Chinese Eat Canadian Food?

Canadian food companies have missed the boat to the Chinese market

Canada has been selling agricultural products to China for years. Our historic wheat sales go back to 1960. While it took a decade of negotiations, Canada now sells over 52,000 tonnes of pork to China every year, and the pork industry is now trying to sell more value-added products. Some Canadian companies have exported our food processing know-how. McCain, for example, the world's largest manufacturer of frozen french-fried potatoes, with 55 production facilities on six continents, has just opened a new plant in Harbin, China. Unfortunately, these are the exceptions. Generally, the Canadian food industry has completely missed the boat in taking advantage of the huge and burgeoning Chinese market.

I first noticed this when I was part of the prime minister's trade mission in January 2005. Even though agri-food was one of the six themes of the mission, the Canadian food industry was noticeable by its relative absence.

Granted, it's not easy doing business in China. There are still major issues with intellectual property protection, penetrating the Chinese bureaucracy can be difficult, and courts are a very risky place for the resolution of commercial disputes. Many of these IP, regulatory and commercial law problems can be minimized if your lawyer has a good working relationship with an established Chinese law firm. This is why Gowlings was there.

Despite the problems, the risks are worth it. The potential market is unprecedented, especially as there is a huge emerging middle class that is now over 200 million people, with high discretionary spending power. The Canada China Business Council estimates that one of the largest untapped sectors that can benefit from the explosion of consumer demand is processed food. The food industries of other countries are rushing to fill this need. So why are Canadian companies passing up on this unprecedented opportunity?

Journalist Andrea Mendel-Campbell may provide a clue in her scathing critique of Canada's business community in *Why Mexicans Don't Drink Molson* (Douglas and McIntyre, 2007). She makes a persuasive case, noting the timidity of Canadian companies that have been spoilt by the proximity to the U.S., combined with their lack of leadership and vision, which has resulted in a frittering away of our jackpot of natural

resources. This, she claims, is at the cost of building viable multinationals that are ultimately our country's first defence in a globalized world.

Like most analysts of the Canadian economy Mendel-Campbell ignores the food industry. But much of her analysis rings true for our industry, especially her description of how Canadian business has completely squandered our early potential to export to China. Canada now directs less than two per cent of its exports to what has been the fastest-growing economy for the past decade. In fact, Canada now lags behind every other major country in export growth, with exports actually lower in 2006. Instead of boldly setting out to exploit the huge export opportunity, most Canadian food companies simply started to import low-cost Chinese ingredients without thinking through the food safety issues.

The recent pet food recall caused by contaminated feed from China has served to again highlight major quality control problems in China that have resulted in several large domestic food

recalls in recent years. While China promised earlier this month to overhaul its food safety system, the former head of its food and drug safety watchdog is now standing trial in Beijing for accepting bribes and failing to curb the growing market in false and dangerous medicines. It remains to be seen whether these incidents serve to slow down China's booming export in agricultural and food products, now estimated to be in excess of US\$1 trillion annually.

What is clear is that countries like Canada with an international reputation for food safety have an unprecedented opportunity to sell safe, value-added food products to the wealthy Chinese middle class who are all too familiar with the problems in their own system. Canadians can't eat much more food; growth in the food industry depends almost entirely on producing value-added products for export. If the food industry misses this opportunity to sell Canadian food to the Chinese, they will have nobody to blame but themselves.

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