Canada Commerce

August 1976

The U.S. West Coast

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Abundant natural wealth along her shores and on land, the ability to turn nature's provisions to serve man's needs, and an immense market just next door add up to export potential unlimited for Canada's manufacturers.

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Contents

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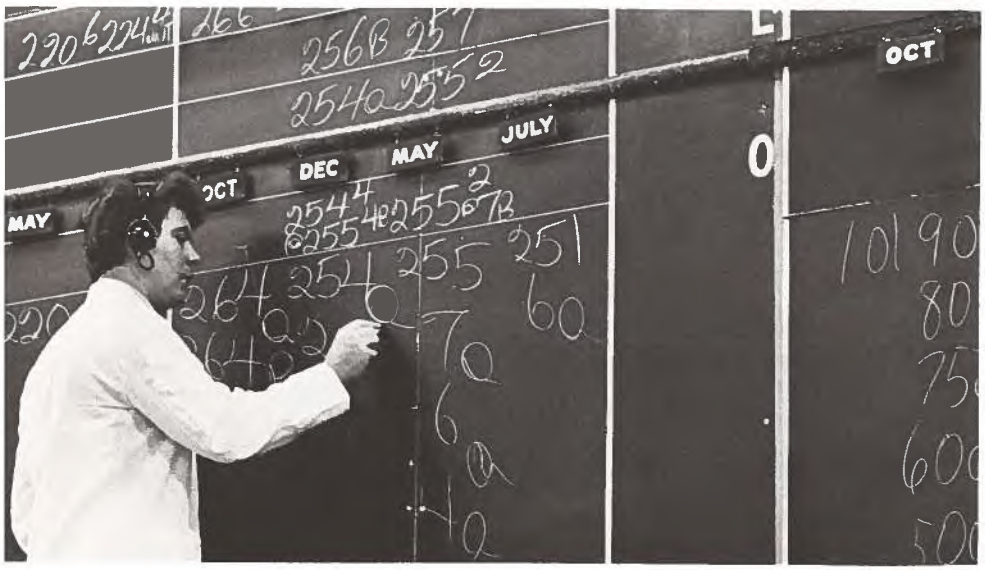
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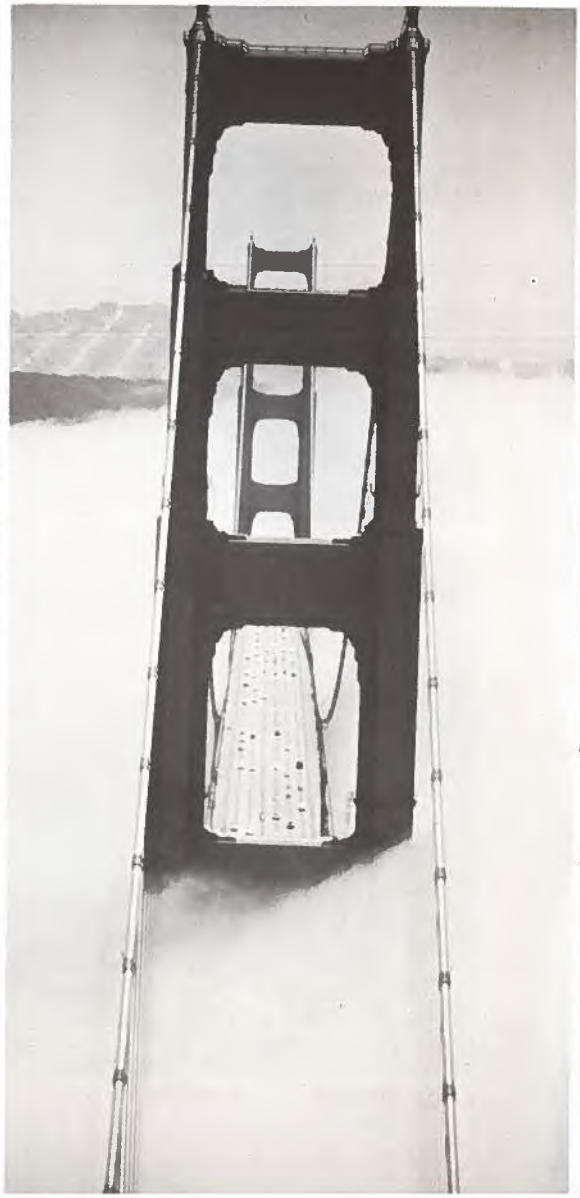


The U.S. West Coast

- A combined population of nearly 30 million, or one-and-a-half times the population of Canada
- Proximity, and geographic and climatic similarities to the Canadian west coast
- Canadian products' reputation in the U.S. for high quality
- The continuing popularity of the "Made in Canada" label perpetuated by residents of Canadian origin or ancestry

These factors make California, Oregon, Washington, Alaska and Hawaii an exceptionally attractive market that every Canadian, and particularly every B.C. manufacturer, should explore. This feature turns the spotlight on marketing opportunities in the U.S. west for the marine, food and beverage and prefab housing industries.

Broader Economic Base Boosts Buying Power

The potential of any market, next door or on the other side of the world, ultimately depends on the ability of its consumers to buy. Here, A.J. Stewart, Consul & Trade Commissioner, Seattle, C.E. Rufelds, Consul & Senior Trade Commissioner, San Francisco, and W.J. Millyard, Consul & Senior Trade Commissioner, Los Angeles, review the U.S. west coast states' performance during the latest recession, and their prospects for the future.

The downturn in the economy hit southern California quite hard in the last part of 1974 and the first half of 1975, and unemployment rose to about 9%. Now, however, indicators point to gradual recovery through 1976.

In terms of non-agricultural wage and salary employment, southern California weathered the recession well. In recent years the region's economy has become more broadly based, with the expansion of the services, trade and government sectors which have more stability than manufacturing sectors. It is important to remember that more than 75% of southern California employment is in non-manufacturing categories, the largest of which are services (20.7% of the region's total employment), retail trade (17.2%) and state and local government (15.1%).

The unknown quantity in the cautious optimism for a healthier economy is energy. California produces about a million barrels of petroleum a day but needs far outweigh supply, and imports are an important factor. Future pricing policies of the OPEC countries will have a vital bearing on the southern California/Arizona economies.

Future local supplies for the southwest lie in the 200-mile-long off-shore area between Santa Barbara and San Diego, and while Washington is eager to lease the area to petroleum companies for exploration and exploitation, the State of California and conservationist groups are putting up so many "roadblocks" significant production before 1979 is unlikely. Natural gas supplies are an even more pressing problem.

California is only about 11% self-sufficient in natural gas. Some 22% comes from abroad and the remainder from other parts of the United States. Since Canada is winding down exports, and the Federal Power Commission curtailing supplies from other states, California is looking increasingly to Alaska and Indonesia for future supplies.

Industries are encouraged to revert to coal, and Southern California Edison is adding two nuclear reactors at San Onofre near San Clemente to come on stream in 1977, in time to help power needs of the rapidly developing Orange and San Diego counties.

California is increasingly dependent on import oil, about three-quarters of which comes from abroad and the remaining quarter from other parts of the U.S. Hopes for increasing American supplies rest largely on tapping Alaskan oil, due to start flowing in a couple of years' time, but also on exploiting offshore fields and the deposits at Elk Hill, which are 80% owned by the Navy and have been kept as a strategic reserve since 1912.

Canadian exports to California stood up remarkably well during the recession — $298 million for the first six months of 1975, and the total for the year should exceed $600 million, right up with 1974 and possibly a bit ahead of it.

In any assessment of the economy of southern California, due attention must be paid to the urban giant called Los Angeles, which extends over five counties and contains 75 municipalities and 10 million people. Not only is it the principal city of the American west, it is the second city of the nation, outstripping Chicago as a financial and international trading centre and, according to the 1970 census, in the concentration of professional personnel. Per capita income per family of four is amongst the highest in the U.S.

While L.A. County's population is unlikely to grow much, Orange County to the south and Ventura to the north are expanding industrially at a staggering pace. Before the year 2000, Orange County, which takes in Anaheim and Disneyland, could become the commercial/industrial core of southern California, and in the next five years a metropolitan city separate from Los Angeles may be established there. San Diego County, the southernmost, is also expanding at astonishing speed. Its population will more than double in the next 25 years.

Approximately 500 Canadian

companies have direct connections either through subsidiaries, sales offices, representatives or distributors in the huge southern California market, indicating that Canadian firms can compete successfully in one of the largest, most competitive markets in the world.

Northern California weathered the recent U.S. recession much better than other regions largely because of its balanced economic make-up. In addition to the relative strength of agriculture, tourism, international investment and finance, the west coast economy was aided by continuing domestic and export demand for goods from its innovative industries.

Although the work force did not escape entirely unscathed during the slowdown, unemployment confined itself by and large to the depressed construction industry, automotive and truck assembly operations, and the public sector. State and union welfare systems and unemployment funds were not overburdened, and estimates indicate that personal income expanded by over 10% in 1975 and consumer spending, which makes up a highly important two-thirds of the territory's total spending volume, was relatively buoyant.

Forecasts for northern California cautiously predicted an economic upturn early in 1976 which would gain momentum during the year. Some companies predicted production short-falls in mid-1976, necessitating implementation of long-delayed investment and capital equipment purchases.

Compared to California, which has experienced staggering growth since the last war, the performance of the Pacific Northwest — Washington, Oregon and Alaska — has been uneven at best.

During the depths of the aerospace slump of 1968-71, an optimist at Boeing was defined as an employee who took his lunch to work, and a realist as one who, on entering the plant, left his car running.

Washingtonians, realizing too late their dependence on one industry in one place, have resolved now to go for balanced growth throughout the state. The nationwide slump in the building industry has meant some poor years for lumber companies but the outlook is improving. Agriculture has had a good year in terms of production, but prices have not kept pace with inflation.

Partly offsetting this is the business that comes Washington's way by virtue of its proximity to Alaska. It is reckoned that for every two additional jobs generated by the Alaskan oil boom there is one in Puget Sound, making a total now of some 7,000. And the Port of Seattle is a major outlet for goods bound for the entire Pacific basin, particularly Japan.

The value of Washington's trade, excluding aircraft sales, is well over $2½ billion a year (of which roughly $1½ billion are imports and the rest exports) and total trade, including aircraft sales, over $8½ billion, more than seven times its value 10 years ago.

Oregon's unemployment rate was better than during previous recessions and corresponded more closely to national averages than in the past. Consumer demand suffered in the first half of 1975 and savings piled up in financial institutions rather than being turned over in the economy.

The food processing sector saw stagnant revenues in meat related activities, and automobile sales, wearing apparel, boats and small aircraft sales declined. On the other hand restaurants, grocery stores and service stations held up well in dollar terms. Inflation boosted the rate of price increases to approximate national averages; nonetheless, the Pacific Northwest's economy out-performed the rest of the country's, and the hope for 1976 is that high performing areas such as agriculture and some segments of construction will offset the slack sectors enough so that the Northwest will keep up or even out-perform the U.S. nationally.

Despite the recession, some sectors of the economy posted strong gains. Transportation and business services, miscellaneous machinery, fabrication of metal products and machinery and equipment wholesaling, which supplied Alaska and pipeline construction, had a busy year.

"Awesome", "phenomenal" and "spectacular" are some words used to describe Alaskan developments in 1974 and the first half of 1975. Alaska underwent a fundamental change — or a boom comparable to gold rush days — in its economy in 1974. The change was thrust upon the state and, in some cases, reluctantly embraced by Alaskans, even though they experienced phenomenal growth in employment and income.

Non-agricultural wage and salary employment increased at triple the 1972-73 rate. Wage and salary payments rose more than one-third to a record high of more than $2 billion dollars.

Preliminary estimates of total personal income indicate an increase of 24%, and gross state product jumped nearly 38% to reach $3.8 billion in 1974. These figures do not reflect discounting for inflationary factors. But, in real terms, the gross product of the state was 19% higher than in 1973 compared with a 2% drop in the national real gross product during the same period. Whichever way one looks at the statistics, Alaska's results were indeed "awesome" and there is more of the same in store for 1976.

When final statistics are available, 1975 will prove another bumper year for Alaska, with oil and gas and related pipeline and construction activity leading the march. Near projections predict a 21% increase in non-agricultural wage and salary employment in 1975, and wage and salary payments are expected to increase by 49%. Projections are being revised upwards on a continuing basis as the pipeline project deepens its impact on the state.

Opportunities Abound in Northern California

The U.S. west coast's long shoreline and temperate climate support a wide variety of year-round marine activity including recreational boating and fishing, commercial fishing and shipping, oceanography and military and rescue activity.

Surprisingly, Canadian manufacturers have not achieved a strong presence in the market. It is true that to do so they will have to displace other suppliers' products. How this can be done is explained in the following articles, prepared from information provided by C.N. Fontaine, former Vice Consul & Assistant Trade Commissioner, San Francisco, (now Commercial Second Secretary, Paris) B.E. Brandenburg, Commercial Officer, Los Angeles, and G. Rock, former Vice Consul & Assistant Trade Commissioner, Seattle, (now Second Secretary, Mission of Canada to the European Communities, Brussels).

One of the best ways to assess a potential marine market is to take account of its registered vessels, the equipment they use and the type of marine work that they generate.

Northern California's 200,000 pleasure boats, and approximately 7,000 commercial fishing vessels in the state, foster a busy overhaul, maintenance and repair service industry.

Pleasure boats — loosely defined as vessels of more than eight feet or equipped with motors — create a large market for piping, fittings, couplings, rings, valves, pumps, chains, cables, small cranes, and marine safety equipment such as life vests and jackets.

Shipping vessels are basically of two sizes — 40' to 80' craft equipped with heavier gears, winches, hoists, engines, etc., and 25' to 40' vessels with lighter equipment.

The boat building industry is buoyant, but since the closure of Hunter's Point Naval Shipyard about two years ago large shipyards in the San Francisco Bay area perform mainly repair and cleaning work on cargo vessels, tankers, freighters, and private and shipping line vessels. This type of work is expected to increase significantly as Alaska's North Slope crude oil begins to move via pipeline and tankers to California.

The market for marine communications equipment received a boost with a Federal Communications Commission ruling that as of January 1, 1977, vessels with double band HF systems will have to be fitted with a single band, VHF systems.

There also are extensive requirements for electronic instruments for larger pleasure boats; sonar and radar equipment; echo and depth sounders; lorans and other navigation and direction finding instruments; commercial fishing gear such as bait, tackle and nets; marine hardware items including hand tools, fasteners and ropes; and machinery and parts such as hydraulics and steering gear.

Hawaii is an unusual market because it manufactures relatively little in general, and certainly has no shipbuilding industry. Marine work comprises engine repair and maintenance, electrical servicing, fiberglass repair, painting, cleaning, etc., for pleasure and fishing boats, and repair and overhaul services including welding and steel fabrication, diesel engine repairs, sandblasting, cleaning, boiler and tank cleaning and machine and hull repairs primarily for Navy and Coast Guard vessels.

The Islands have 12,500 registered pleasure boats, most of which exceed 35', and 750 commercial fishing vessels ranging from 40' to 200', providing a market for both light and heavy equipment. Fishermen are, however, caught in a "profit squeeze" because competition is stiff, and they must travel up to 100 miles from shore to net a good catch — a requirement which raises overheads.

Oceanography offers the best opportunities in Hawaii. The upsurge of interest in ocean resources and Hawaii's mid-Pacific location has generated a keen interest in the waters around the Islands. The state-operated University of Hawaii is conducting extensive research into ocean mining, aqua-culture and ocean energy resources. As more money becomes available for this type of research, the market will grow for suppliers of oceanographic instruments and various data collection and analysis services, and when oceanographic programs now in the research stage are implemented, different types of vessels, equipment and instruments will have to be designed and produced, which promises great potential in the medium to long term.

Distribution Channels

The "middleman" is an indispensable aid to the manufacturer and Canadian suppliers can choose from several different types of go-betweens in the U.S. marine trade.

Stocking distributors take title and possession of substantial inventories, have warehousing

facilities and their own sales force, sell to end users directly or through independent wholesalers and undertake billing and inventory.

They handle the largest share of small to medium size shipboard equipment necessary for repairs that must be done quickly, commercial fishing equipment, and marine supplies and hardware and safety equipment whose distribution they tend to dominate along with wholesalers.

Stocking distributors require profit margins or discounts of approximately 30% to cover the relatively high cost of maintaining inventories.

Wholesalers, or mini stocking distributors import directly or purchase from stocking distributors, and, as their name implies, take title and possession of goods and sell through their own retail outlets or to independent retailers and dealers. A word here about marine hardware and safety equipment — pricing can be critical because it is one of the main factors to influence the consumer.

Manufacturer's representatives usually deal with the larger, heavier turbines or turbine parts, and custom designed products. Paid on a commission basis, they act strictly as field sales representatives and neither take possession of goods nor deal with invoicing, payments or other manufacturer-buyer documentation.

Dealers, who usually purchase from wholesalers, have exclusive selling rights for a given geographical area and sell direct to the customer.

The marketing of marine communications, radar and oceanographic equipment is the most straightforward. The critical element in its distribution is the availability after sale of quick, reliable servicing and parts. Consequently, the sector is dominated by distributors who usually also carry out or take responsibility for installation, inventory maintenance and repair service.

There is a substantial military market in the western U.S. but it requires a different selling approach. A special office to assist Canadian manufacturers in this market in California and Hawaii is maintained in Pasadena.

Product Price and Approval

Product approval is often essential for exports to the U.S. The U.S. Coast Guard enforces safety regulations and standards for pleasure and commercial vessels as well as for their equipment including life saving equipment, pressure vessels, fire extinguishers and sound producing devices required on board.

The Coast Guard not only tests the final product but also inspects manufacturing facilities to ensure that appropriate materials and welding processes are followed. A Merchant Marine Technical Branch in San Francisco undertakes some of the testing but Canadian suppliers are wiser to deal with Coast Guard headquarters in Washington, D.C. There is mutual recognition of standards between the Coast Guard and the Canadian Ministry of Transport which enforces similar regulations.

Other requirements, not mandatory but widely accepted by the trade, are Underwriters' Laboratories approval for electrical parts and equipment, appliances, etc. used on vessels. Their head office in Chicago usually tests sample products.

As for marine communications equipment, the Federal Communications Commission (FCC) specifies minimum standards on all equipment that involves emission and reception of radio waves. In certain cases the manufacturer need only provide FCC headquarters in Washington with specifications on the product to determine whether approval will be granted; in other cases the FCC requires a production model for testing.

Approval for certain types of machinery and parts such as boiler tubes and pipes is the responsibility of the American Society of Mechanical Engineers, and the American Bureau of Shipping's standards are widely accepted for shipbuilding and repair and virtually any item that can be found on a ship. The U.S. Division of IT&C's Western Hemisphere Bureau (WHB) in Ottawa will guide Canadian manufacturers to the appropriate approving body.

Potential exporters should also be aware of two factors which can determine whether or not their product can be offered for sale at a competitive price. The first is tariffs. Again, the WHB will ensure that manufacturers obtain the most favourable ruling for their products and should be contacted before export commitments are made.

The second pricing influence is freight. Besides cost, the means and availability of transportation determines ability to cope with short lead times which are vital in the ship repair field, for instance.

CP Air has three flights daily to San Francisco, two to Los Angeles and several weekly to Honolulu. Marine shipment to Hawaii is available through Matson Navigation Company which provides regular barge services from Seattle to Honolulu. Rail, truck and sea transportation provide B.C. manufacturers with convenient surface access to the U.S. west coast.

All in all, freight costs and services to the U.S. west coast give western Canadian suppliers a distinct advantage in terms of price and time over their eastern U.S. and Japanese competitors.

Seattle: Key to the Northwest

With more pleasure boat owners per capita than any major city in the country, Seattle comes by its title of "U.S. Boating Capital" quite naturally. But it is also the U.S. Pacific Northwest's business and distribution centre for the commercial fishing industry, despite the fact that the area's largest fishing fleet sails out of Alaska and the country's second highest catch in dollar value lands at Kodiak.

Any marine supplier who wants to make it in the U.S. Northwest should, therefore, first set his sights on Seattle.

Canadian manufacturers do not now have an image as suppliers to the U.S. Northwest's marine trade, but local distributors are anxious to consider competitive alternatives to domestic suppliers, and generally consider Canadian marine equipment to be of high quality. Leading distributors feel that competitively priced Canadian products would find ready takers.

There is a particular demand in the pleasure boating market for all types of accessories and light fishing equipment such as deck lights, horns, canvas covers, deck surfacing, aluminum-cast couplings and fasteners, ropes, nets and fishing deck mounts and, with shorelines, climate and species fished similar to B.C's, Alaska, Washington and Oregon commercial fishermen could readily subscribe to equipment manufactured in B.C.

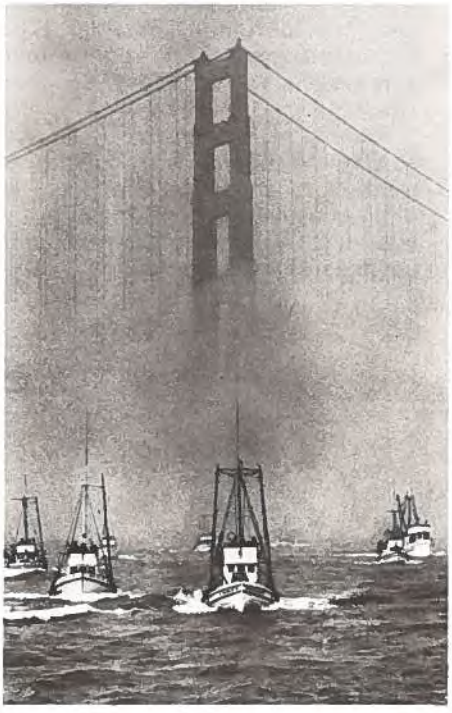
As in California, distribution in the three northerly Pacific states invariably involves the middleman, and mark-ups are similar — 25% to 30% for stocking distributors and 7% to 15% for manufacturers' representatives.

Products earmarked for major shipbuilders or repair yards either can be distributed directly by the manufacturer or through a manufacturers' representative. Marketing plans that call for mass distribution to the pleasure craft or commercial fishing industry are best implemented by stocking distributors whose sales staff regularly call on dealers from Kodiak to San Francisco. Stocking distributors should also be the first stop for manufacturers of marine accessories and hardware for medium-sized fishing vessels to 8-foot pleasure boats who require an assessment of U.S. west coast markets.

Manufacturers of major shipboard equipment such as hydraulic equipment, heavy cable or piping can expect more than 90% of the market to be with less than half a dozen marine distributors located in Portland, Seattle and Kodiak. These distributors have a firm grip on sales up and down the west coast and can handle world wide sales requirements for leading manufacturers as agent-distributors.

Successful marketing of marine communications and radar equipment, in the Northwest as elsewhere, depends on finding a distributor who can support an effective sales staff that covers the entire region and who can install and service the equipment.

Fog shrouds the fishing fleet's return but it's clear sailing for seafood fanciers feasting on their catch.

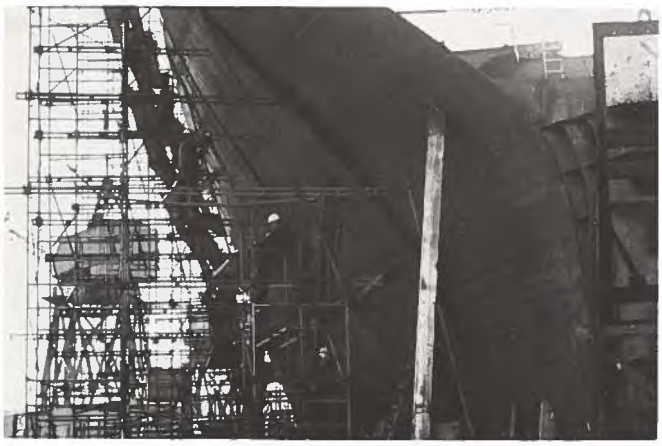


Begin at the Beginning

In southern California where there's a concentration of marine design, engineering and construction activity, Canadian manufacturers should aim to become original suppliers of equipment and components.

In the San Diego area Campbell Marine Division Yard and San Diego Marine Construction Division Yard, both owned and operated under the name of Campbell Industries, produce seagoing vessels with steel, aluminum and fibreglass molded hulls, fishing vessels and tuna purse seiners ranging from 300 to 1700 deadweight tons, and design and construct small cargo ships, harbour and oceangoing tugs, trawlers, patrol vessels and all-aluminum hull commuter ferryboats, three of which operate on San Francisco Bay.

They offer design, repair, rebuilding and refitting services for naval and commercial ships. The repair and rebuilding activity is particularly important since San Diego is the homeport of the largest tuna fleet — 120 boats — in the U.S. Campbell Industries also distributes marine chandlery, outboard motors and service boats.

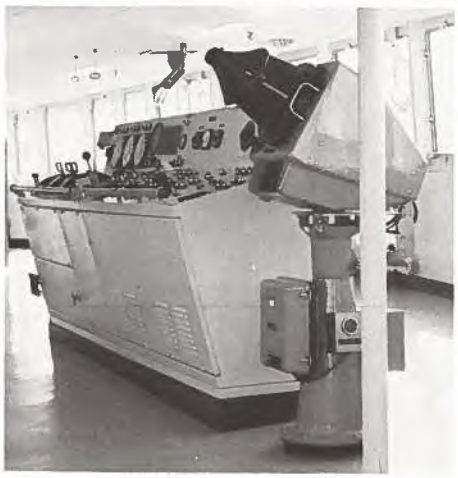


In Los Angeles, Todd Shipyards' tanker building program is subsidized by the Maritime Administration which precludes foreign participation but the company also builds steel barges and naval ships and converts vessels.

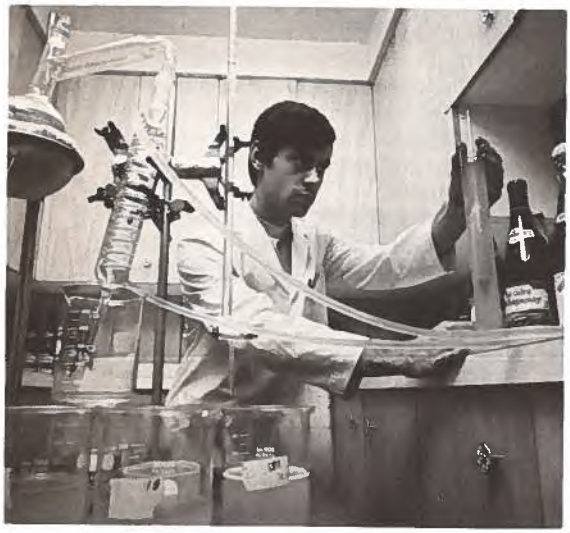
Several yards, including Harbor Boat Building Company, construct offshore mooring buoys designed and engineered by Imodco Inc. They also have repair contracts with the U.S. Coastguard and navy.

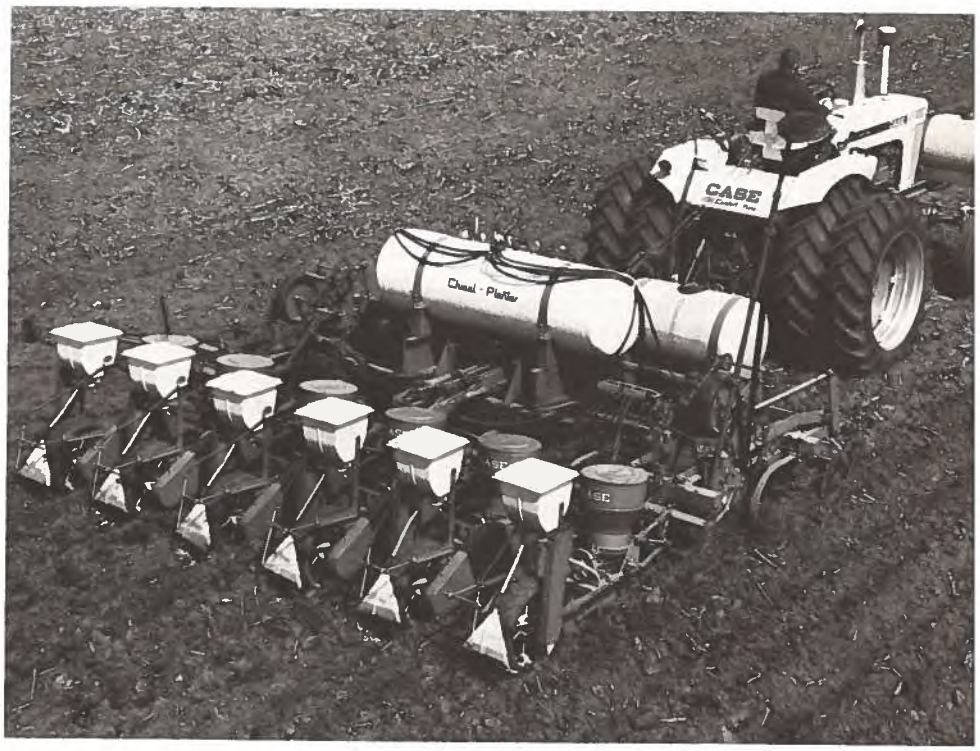
How does one go about getting in on the ground floor? Make contact with the decision-makers:

1. Marine Architects and Naval Engineers — These firms may be selected by any agency or country to produce design and specifications for vessels. A country where construction takes place may favour use of domestic suppliers but if their capabilities are limited naval engineers specify equipment and components from suppliers anywhere whose products suit requirements. It is important, therefore, that manufacturers acquaint these firms with their capabilities. Some firms such as Global Marine and Santa Fe International, who have expressed willingness to consider Canadian-made equipment, also operate vessels under their own names for a third party.
2. Vessel Owners — Oil and exploration companies and independent operators.
3. Shipyards
4. Builders of Single Point Mooring Systems (SPMS)
5. Oceanographic Centres such as the Scripps Institution of Oceanography at the University of California and the Undersea Research and Development Center in San Diego.
6. Manufacturers of equipment for shipbuilders — Western Gear produces a variety of gears and equipment for transmission and offshore industries. Imodco, a specialized type of engineering and design firm, supervises building and construction of SPMS.



California is noted for its wines, Washington produces more than 50 different crops, Idaho grows a quarter of the potatoes consumed in the U.S., and Oregon's Marion county is the world's second largest fruit and vegetable canning centre. But the palates of U.S. west coasters are far from sated; they have a healthy appreciation for anything that's "different", including Canada's bilingual labelling!

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Pacific Northwest: The Lay of the Land

California's population is 21 million — approximately the same as Canada's — and its GNP, $140 billion, exceeds Canada's by $20 billion. In terms of GNP, the city of Los Angeles and surrounding counties alone would rank as the 12th largest country in the world. The U.S. Pacific Northwest's population is 7 million. Together, the two areas form a fertile market for Canadian food and beverage processors. The following articles were prepared from information provided by D.F. Cooper, Consul & Trade Commissioner, Los Angeles, S.P. Halden, Commercial Officer, San Francisco and R.D. Siegmeth, Commercial Officer, Seattle.

The Pacific Northwest region of the United States — Washington, Oregon, Idaho, western Montana and Alaska — is a prime area for Canadian food and beverage processors wishing to expand their markets.

Primary Markets

The area, with a population exceeding seven million, has four primary market sectors: Seattle-Tacoma, Spokane, Portland and Alaska.

The Cascade mountains divide Washington into two distinct regions. The western or Puget Sound region, a valley bordered by the Olympia Peninsula on the west and the Cascades on the east, accounts for two-thirds of Washington's 3.5 million population. A large body of water with natural deep port locations, Puget Sound provides direct access to the Pacific Ocean from Seattle-Tacoma, one of the Northwest's most important markets and distribution centres for food and beverage products.

Spokane, eastern Washington's food and beverage distribution centre, also functions as a market base for northern Idaho and western Montana. A smaller distribution point known as the Tri-Cities — Kennewick, Pasco and Richland — serves 97,000 consumers in central Washington.

Like Washington, Oregon is divided by the Cascades into east-west regions, and most of the 2.2 million population lives in the west's Willamette Valley area. Portland is the centre of food and beverage marketing and distribution activities. Oregon's eastern region has a population of less than one million. Its relatively small-scale food and beverage distribution is centred in Boise, Idaho.

Alaska, the largest state in the U.S., has the smallest population, just 337,000. Most of the activity is centred in the cities of Anchorage and Fairbanks.

A recent survey revealed that U.S. west coast grocery buyers have different attitudes toward buying, stocking, and selling new products, than do buyers from other parts of the U.S. Western regional managers of 15 top U.S. food processing companies, who account for nearly $30 billion in U.S. food sales annually, were interviewed. Among the major retailing differences which Canadian processors should consider to be in their favour, were:

— Western buyers are more open, relaxed, and create a better selling atmosphere.

— The trade is more sophisticated and aware of consumer attitudes and changes in consumer wants.

— Western consumers are more willing to experiment with new and innovative products.

Distribution and Marketing Methods

Each of the four primary market sectors has a complete, extensive food and beverage distribution network of importers, brokers, distributors, wholesalers and retailers, many of whom have proven their performance to Canadian firms.

Pacific Northwest markets do not differ from those of other regions in that they require a strong introduction, i.e. good sales efforts, promotions, etc., and a determined, preplanned sales program to increase sales after the products win buyers' approval. With a multitude of channels available for distribution and sales, this region demands that the processor thoroughly evaluate all sales avenues.

Each product dictates its own "marketing mix". Specialty items such as fancy sausage, confectionery, etc., can be shipped direct to a jobber/distributor or a co-op wholesaler, either of which may provide all necessary distribution and sales functions, while products such as cookies, jams, canned and frozen packs that require large-volume merchandising to major chains, wholesalers and institutions, demand sales programs and promotions which can be provided by food brokers.

In determining the optimum channels, the processor should consider two important factors: 1)

the particular product(s) to be sold — merchandising requirements, shelf life, promotional requirements — and 2) all available means of distribution and sales. Some of the most effective vehicles for merchandising are:

Brokers — The Pacific Northwest food industry is well serviced by brokers who cover all customers from grocery chains and wholesalers to hotel, restaurant, institutional and industrial end-user accounts. Food brokers are by no means a new development in North America. In the last few years, however, they have proven that they can perform sales activities more efficiently and at lower cost than company salesmen. Food processors' sales costs have climbed rapidly in the last decade due largely to their expensive salaried sales forces. Unlike salaried salesmen, the broker receives no pay for his services until a sale has been made.

Because of their constant contact with key buyers, food brokers are considered to be the most effective sales force for most food products. Not that all products should be handled through a brokerage; but buyers have great respect for products presented to them by brokers who represent several products, have had previous successful promotions and sales programs and their own share of problem solving.

Brokers are able to concentrate their sales efforts in one particular market sector — Seattle or Portland, which each recorded $1 billion food store sales in 1974, Spokane or Alaska, or, through branch offices, perhaps in all four sectors which allows suppliers to enter one sector of the region and expand into others as supply permits. Any initial marketing or supply problems can be solved in relatively smaller sectors before moving to larger markets.

Unlike in Canada, food brokers in the U.S. do not usually buy for their own account; many, however, have public warehousing close to their offices and receive expert advice on the best storage and in-and-out procedures. British Columbia processors have found, however, that one-day re-order and delivery schedules are often the most expedient, and prefer to maintain inventories at the plant with a direct shipment plan.

Pacific Northwest brokers' most valuable offer to prospective B.C. suppliers is a complete sales package in the crucial introductory stage. As agents of the seller, they can do much more than arrange the sale. They write orders, implement and monitor promotional efforts, iron out day-to-day problems, follow-up continually to stimulate high level re-orders, and report to the processor on local area product movement, competition and over-all market conditions.

Distributors — Most distributors or jobbers in this region are small, one-to-five person operations. A typical five-person operation employs three drivers, one clerk and an owner/manager who either owns office and warehouse space or leases a section of public warehousing.

Storage availability is one of the major advantages of marketing through a distributor. Usually, distributors purchase products from processors on consignment, and sell and distribute from their own storage facilities. Another advantage of marketing through a distributor is regular store-door sales and delivery, often imperative to sell products such as meats, cookies and dairy products. Distributors in this region range in size from coverage of a particular segment of a single market employing one person to multi-market coverage employing more than 20 persons.

A processor may appoint a distributor to perform all sales and delivery, or appoint a broker. The processor and broker may even decide that the optimum marketing strategy should include a network of distributors, each catering to certain segments of several markets.

Grocery Chains and Wholesalers — As in other regions, chain stores set market prices and influence consumer buying trends. But the importance of local wholesalers should not be overlooked; independent wholesalers account for an estimated 40% - 45% share of the total market. Basically, wholesalers are of two types: 1) a purchasing-warehousing, co-op owned company which supplies smaller retail chains and groups of independent retailers (a marketing co-op), or 2) a privately-owned purchasing-warehousing company that supplies independent retail or chain store accounts. Both types are recognized as extremely efficient and competitive, and are highly respected by major retail chain competitors. A listing of the more important retail food chains and wholesalers follows:

Food Chain	No. of Outlets
Albertson's Inc.	83
Art's Food Stores	7
B&M Stores	4
Gov-Mart Stores	13
I.G.A.	47
Lucky Stores	27
Mayfair Stores	23
Mark-It Stores	30
Prairie Mart	40
Tradewell Stores	85
Quality Food Centers	10
Safeway Stores	128
Thriftway Stores	74
McKay	23
Rosauers	20
* Independents	over 500

(* Purchasing from wholesaler as medium to large size accounts)

Major Wholesalers
Associated Grocers, and Commission Company — Seattle
Wahams and Company, and Northwest United — Portland
Lee Grocery — Everett
West Coast Grocery — Tacoma

American Wholesale — Kent
Round Up Company — Spokane
West Coast Grocery — Salem

Drugstore chains account for increasingly larger food and beverage sales and B.C. processors should examine this marketing avenue.

Commissions, Mark-ups and Discounts

Pacific Northwest commission rates, mark-ups, standard discounts, promotional allowances, etc., are not drastically different from standard practices of the food industry in Greater Vancouver. Obviously, no set rates or "standard" percentage on gross billings can be quoted for all food products. Whether a product is sold through a broker or direct to chain stores, sales compensation varies widely according to type of product, volume potential, and sales effort required.

Importer and broker commission rates generally range between 5% and 10% of gross billings, with exceptional products dropping to 3%. Distributors purchasing directly from processors usually require a resell mark-up of 18% to 25% which generally includes delivery costs. A distributor working as an agent for a broker, either purchasing products or providing warehousing and distribution only, structures his commission compatibly with the broker's or 15% to 20%, depending on the type of products, potential sales, previous sales, etc. Cash discounts, generally 2%-10 days, net 30 days, are standard practice.

Promotional allowances and the mechanics of promotion activities differ somewhat from B.C. practice. Local radio, T.V. and newspaper advertising is generally less expensive but promotional allowances from processors to wholesalers and/or retailers are almost every day procedure in most product areas. The processor of a new product must be prepared to meet competitors' everyday promotional allowances, and chains and wholesalers often are paid on a "cash-off-invoice" basis as opposed to discounts off re-orders.

Agricultural Production and Food Processing

Washington, Oregon, and Idaho are major agricultural production areas. Washington produces more than 50 different crops with a total annual value exceeding $1.5 billion. It is the leading U.S. producer of apples, hops, dry peas, green peas for processing, rhubarb, late summer potatoes, spearmint and peppermint. Oregon's many crops including wheat, potatoes, rye grass, dry onions, snap beans and strawberries exceed a total annual value of $500 million. Idaho's farm production, valued at more than $700 million annually, includes a quarter of the potatoes consumed in the U.S.

Naturally, these states are noted for extensive food and beverage processing. Washington has numerous large fruit and vegetable canneries and several highly successful packers of potato chips, dairy products, fish and seafoods, sugar, meat products, etc. Food processing is big business in Oregon which produces one of every eight packages of frozen food consumed in the U.S. Marion County is the second largest fruit and vegetable canning centre in the world. A number of substantial food processing plants in Idaho turn out frozen, canned and dried fruits and vegetables.

Alaskan agricultural production is growing but it will likely be another 10 years before expansion makes any impact, even though farmers have the advantage of round-the-clock summer daylight, and a relative lack of pests. Egg and dairy products, some meat and wool, hardy vegetables, grain, hay and silage have been the principal crops for a decade. Total agricultural production averages $5 million - $5.5 million annually and out-of-state imports, especially for processed and specialty foods, are likely to remain at a high level for many years.

Commercial Fishing and Fish Products

Fishing and fish processing industries are a vitally important income generator in the Pacific Northwest and Alaska. Total 1972 production was $147 million. Most of it was for domestic consumption, especially in California and the northeastern states. The main species commercially fished are Pacific salmon, halibut, albacore tuna, black cod and sole (flounder) as well as a variety of shellfish. The industry is healthy, although resource depletion is a problem.

While the Northwest is a large consumer of fish, it is also a major producer. The size of the market open to Canadian suppliers depends to a large extent on whether shortages develop, whether specialty Canadian items can be successfully introduced, and existing intra-company trade between Canadian packers and their counterparts in the U.S. In 1971 Canada's fresh/frozen fish exports to the Pacific Northwest, valued at $6,626,618, were:

Product	$ Value
Pacific halibut	2,107,245
Salmon	1,571,168
Sea fish NES	1,040,931
Sole	256,671
Flatfish NES	130,829
Cod	51,303
Ocean perch	16,835

Product	$Value
Freshwater fish NES	13,146
Atlantic halibut	11,939
Herring	9,591
Turbot	2,136
Pickerel	1,367
Whitefish	78
Total Value	5,213,239

Canned herring, salmon and sardine exports amounted to $787,692 and shellfish exports, including

clams, crab, lobster, scallop, shrimp and prawns totalled $625,687.

The largest buyers of fish products are supermarket chains, institutional distributors and fish packing companies who buy mainly fresh or frozen fish in consumer size portions to be sold by wholesale distributors. Packing companies also process fresh fish into preserved, cooked and frozen items. The New England Fish Company, Bumble Bee Seafoods, Washington Fish and Oyster Company and Whitney-Fidalgo Sea Foods, Inc., are the top four fish processors.

Retail buyers, many of whom demand exceptional quality and packaging specifications, are impressed by advertising and promotion for a product, and by its reputation and consumer appeal. Comprehensive laboratory analyses of bacteria count, batter and breading content, and packaging design are common. Institutional buyers are becoming increasingly concerned with portion control and complete freedom from bone.

Doing Business

Letters should be avoided if possible. Pacific Northwest fish products commission agents and distributors much prefer to do business by telephone. Commissions range from 3% to 6%. On portion lines they usually are 3% or 4%. Commissions may be paid either on invoice by packer, invoice on delivery or receipt of paid invoice by packer. Representatives expect to receive their commissions within two weeks. Distributors pay by cheque, 30 days cash against documents.

If possible, Canadian producers should visit Seattle to meet prospective commission agents before appointing one.

Although food chains and wholesalers carry a vast variety of imported food and beverage items, Canadian exporters have met local competition and made their mark in several lines including meat products, jams, biscuits, cheeses and specialty fish items. Much more can be done, both in the retail and institutional markets. Canada's image as a quality supplier is very strong in this region and receives general acceptance from brokers to consumers.

Canada's specialty, health and gourmet foods are favoured fare south of the border.

TARIFF SCHEDULES OF THE UNITED STATES (1972)
SELECTED PRODUCTS

Product	U.S. Tariff Item	Rate of duty
Dehydrated potatoes	140.50	1.3 cents per lb.
Sauerkraut	141.25	7.5% ad valorem
Pickled onions	141.45	8% ad valorem
Canned peas	141.55	1 cent per lb. gross wt.
Canned and pickled pimentos	141.60	4.8 cents per lb.
Canned beans	141.20	3 cents per lb. gross wt.
Peanut butter	145.48	7 cents per lb.
Jellies, jams, marmalades	153.02 to 153.32 inc.	3% - 8.5% ad valorem (depending on type)
Honey	155.70	1 cent per lb.
Maple sugar and maple syrup	155.50 155.55	Free
Chocolate — unsweetened	156.20	Free
Chocolate — sweetened	156.30	5% ad valorem (quotas)
Candy	157.10	7% ad valorem (quotas)
Vegetable juices	166.30	1 cent per gallon
Fermented cider (1)	167.15 + excise tax	3 cents per gallon
Still wines — not more than 14% alcohol — containers not over one gallon	167.30 + excise tax	37.5 cents per gallon
Sparkling wines	167.10 + excise tax	$1.17 per gallon
Sherry	167.35 + excise tax	$1.00 per gallon
Biscuits, cakes, wafers	182.20	3% ad valorem
Bread — with yeast as the sole leavening agent	182.50	Free
Specialty breads (such as rye etc.) (2)	182.50	3% ad valorem
Breakfast foods (Cereal)	182.30	2.5% ad valorem
Macaroni and similar alimentary products — with egg — without egg	182.36 182.35	0.7 cents per lb. 0.5 cents per lb.
Soups	182.52	7% ad valorem (not containing oysters or oyster juice)

Fish tariffs available upon request.

Five Steps to the U.S. Market

1) Contact one of ITC's Regional Offices in Canada, or the Grocery Products Division of the Agriculture, Fisheries & Food Products Branch in Ottawa, either of whom will forward a complete description of your products and proposed labels to the U.S. Division of ITC for assistance on establishing U.S. Customs duties and proper labelling.
   The U.S. Division of Industry, Trade and Commerce can give you an idea of what the duties are likely to be, and of label changes that may be required. Available information will be forwarded to Washington for a firm U.S. Customs ruling on applicable duties, and to the U.S. Food and Drug Administration for official comment on labels. These steps do not preclude a company seeking information from appropriate officials at U.S. border points.

2) While awaiting word from Washington, price your products. Include likely duties (from U.S. Division), freight, insurance, etc. in price estimates.
   The Grocery Products Division can advise you where they feel a potential market exists, and to which Post all pertinent information should be sent.

3) Prepare descriptions of the products, packaging, marketing plans and general company information which may include brochures. Send all the information to the Canadian Consulate in the area for which the exports are destined. Posts will then contact potential representatives to determine market demand and competition.
   The Canadian exporter should plan to ship in economical car load lots whenever possible. This may involve some risk when a new product is involved, but this method produces the most competitive price quotation. Shipping in quantity and storing in local public warehousing has the added advantage of permitting quick delivery on reorders.

4) When the Post identifies potential representatives, visit the market area for a final selection, and to inspect the market first-hand.

5) Keep the Post informed of the products' progress in the market.

Northern California: Make Haste Slowly

With a population of 8 million — 3½ times that of B.C. — and a $5.5 billion food and beverage market, northern California constitutes a veritable feast which Canadian processors accustomed to smaller markets can readily digest if they approach it in bite-size stages.

Initial thrust could be aimed at only the industrial, institutional or, if production allows, the retail trade, or at one geographical area. Distribution channels encourage this approach.

Some food brokers specialize in industrial or institutional accounts. Generally, they sell to wholesalers who service the different types of food industries but they also sell direct to large users.

Geographically, there is a choice between large markets such as the San Francisco Bay area, whose 4.8 million population is 3½ times the size of Greater Vancouver, or the San Joaquin and Sacramento valleys. Safeway, headquartered in Oakland, operates two divisions in the north end of the state. The San Francisco division buys for 231 stores which account for 24% of retail food sales and the Sacramento division buys for 100 stores with 5% of the market. Large wholesalers operate the same way.

Five other large food store chains — Lucky, Alpha Beta, QFI, Co-op and Ralphs, which have a total of 219 outlets — also buy independently, and along with Safeway they cover 55% of the market. The 3,645 stores which service the rest of the market buy from wholesalers.

It is essential to work with either a food broker or distributor and which to choose depends on volume. Brokers generally handle retail accounts whose volume requires full truckload shipments to the large chains' distribution centres and full truck loads split between one or two distribution centres of a wholesaler.

Because cost of moving products to retail shelves has skyrocketed, food brokers are reluctant to handle accounts which they are not convinced can generate high sales. They require "pioneering" costs to be recouped by the end of the first year and during that period, or until a certain dollar volume is reached, might increase their commission to 10% from the normal 5% to 7%. Brokers are also more interested in accounts which produce or plan to produce more than one product. Sales volumes of many San Francisco-based brokers range from $30 to $60 million a year. Distributors specialize in handling small (in U.S. terms) food processors and produ-

cers of specialty items, single product lines and less than car-load delivery requirements. Several of them have the respect of major and small food store chains as well as gourmet and delicatessen shops.

Promotion

In any new endeavour, seek the advice of an expert; in this case the broker, who knows the latest trends. Northern California's large chains no longer promote schemes that benefit the buyer. While they will not refuse a free product promotion, neither will the promotion guarantee an order unless it will generate volume sales to justify the expense of warehouse storage and entry of the product on computer inventory. Smaller independent chains and some wholesalers are still receptive to free product offers with stated quantities purchased.

Most buyers are receptive to co-operative advertising which is usually placed with newspapers, but one of the most successful innovations is the 60-second radio spot, paid for by the manufacturer, which gives equal time to the product and to the retail chain which ensures that the product has been placed on the shelves.

Opportunities

Competition in all sectors of the industry is stiff, and when several similar products are available lower price is more important than quality. Conversely, when a product has no direct competition or when demand exceeds supply, value takes precedence over price. The retail trade prefers brand names unless a product offers significant price advantages or special features or is aimed at a particular market segment such as nature or kosher foods.

Canadian products identified by brokers and distributors as having a promising future in northern California's retail market include fancy style cookies, candy, cheese, honey, ham, bacon, pork, canned salmon, wine , spirits and beer (3.2%). Institutional and industrial customers are interested in honey, bacon, ham, smoked salmon and strongly interested in oysters, clams, prawns and whole salmon.

Hawaii

Though smaller in size, Hawaii's market of 3.6 million, counting 2.75 million visitors annually, holds tremendous potential for Canadian producers and creates no additional entry problems for those who already export to the U.S. mainland. Seattle may be used as the Port of

Southern California: Something to Aim for

The food and beverage market in the Pacific Northwest — population 7 million — is big; northern California's market, with a million more population, is bigger and biggest of all in the U.S. west is southern California's market. The 13 million population not only almost equals that of the other two areas combined but also earns high income and spends freely at grocery check-out counters.

A survey found that the 8.6 million people in the Los Angeles area alone spent $5,423,007,000 in retail food stores in 1974, second only to Metropolitan New Yorkers and more than the combined total of consumers in 10 other major U.S. centres. In all, Californians of the 10 southern counties spent approximately $7 billion on food purchases that year.

Canadian processors eager to share in the southern market should approach it via Seattle and San Francisco. The smaller markets will familiarize processors with the different requirements and methods of operation in the U.S., and success in the markets will heighten their products' appeal to southern California buyers. A carefully planned and executed entry to the big market cannot be emphasized too strongly. Not only does it offer high rewards, but California is the trend-setting area for the U.S., and what succeeds there is a candidate for distribution in other parts of the country.

Distribution

The southern California food retail market is exceptionally competitive and fragmented. The distribution network, comprising some 11,400 food stores, is serviced by a wholesale infrastructure of 500 brokers and distributors.

Supermarket chain food stores, which account for 70% of food sales nationally, control almost 80% of food sales in southern California. The four largest chains — Alpha Beta the largest with 12%, Ralphs, Lucky and Safeway — account for approximately 40% of the sales and the next top 14 food chains control approximately another 40%. But the large chains are not the only way to reach the market. Small chains are usually more receptive to new products, and are probably better suited to Canadian processors who produce comparatively limited supplies, and who must be careful to avoid having to withdraw from a market because of short supply, and avoid becoming too dependent on one area of the market.

How does a processor reach the smaller food outlets? Certified Grocers of California Limited in Los Angeles is a good place to start. Southern California's most important wholesaler/distributor apart from the major food chains, Certified offers a number of services. It advises companies with

Entry, from where goods are shipped to the islands as domestic U.S. commerce.

In 1974, retail food sales passed $523 million and military commissaries accounted for another $64 million. The Islands' visitors helped residents spend another $318 million in eating and drinking establishments. Though Hawaii has four major and four smaller islands, 80% of food sales are in the city and county of Honolulu on Oahu.

With its agricultural sector producing only pineapples, papayas, sugar and some vegetables, the state imports nearly 100% of its food requirements. Most products come from the mainland but small amounts of beef and veal are supplied by Australia and New Zealand and some fish by Japan.

With the possible exception of Alaska, of all the states Hawaii offers Canadian food processors the best opportunity to compete on an equal basis with U.S. mainland firms. Several Canadian companies are successfully doing so. Most likely to succeed in all segments of the market are Canadian frozen chicken (dark meat is a 3-to-1 favourite over light meat), pork, oriental food items and beer (3.2%). Retailers are also interested in candy and cheese particularly if gift-packed, fancy style cookies and canned salmon, and airlines are potential customers for portion-controlled food and drink. Given competitive pricing, quality and delivery time, each of these foods could find immediate representation.

Distribution

Hawaiian food brokers must handle numerous lines to achieve profitable volume levels, they call on retail, institutional and industrial buyers, sell to wholesalers/distributors and assist them with regular calls on the trade. Brokers also operate warehouses or regulate inventory in public warehouses where it is stored by food processors who ship in quantities to take advantage of lowest transportation costs. Another reason for maintaining large stocks of food in Hawaii is that the state is highly vulnerable to strikes that terminate shipping operations.

new products of their market acceptability, may recommend a broker to handle a product, and if initial sales are good Certified will list a new product and stock it for 90 days. If movement is good, the product remains on the company's catalogue list; if not, it is dropped. Success with the smaller stores can lead to further success with the major food chains.

Certified recommends a broker for companies with other than brand name products for purposes of market pre-sell, and lists the product only after it obtains commitments from several member food retailers. A commission of 5% is usually paid to the broker who sells a product direct to Certified which marks up 6% to 9% on resale to the retailer to cover warehousing, distribution and documentation costs. Certified also takes advantage of 2% cash discounts, quantity/volume discounts and promotion discounts. Los Angeles retailers

take mark-ups upwards of 10% to obtain net store gross profits of 4%. Head office costs normally reduce the retailer's margin to 1%.

Products

Canadian foods with above average chance for success in southern California include all types of exotic, specialty, health and gourmet products. Frozen convenience foods also find a ready market. So do products with bilingual labelling which appeals to the California consumer's well-developed sense of the exotic. Private labelling, on the other hand, either for an established American brand or directly for the larger retail food chains, can provide Canadian processors with an alternative entry to the market.

The following distribution centres supply retailers who account for the dominant share of food sales in the southern California market.

Distribution Centre	Stores Served	Market Percentage
Alpha Beta Acme Markets Inc. La Habra	186	12
Certified Grocers of California Los Angeles	2,127	23-27
The Kroger Co. (Market Basket stores) Los Angeles	70	2-3
Alfred M. Lewis Inc. Riverside	800	6-8
Lucky Stores Inc. (Southern Region) Buena Park	143	9
Ralphs Grocery Company Los Angeles	65	7
Safeway Stores Inc. Los Angeles	235	9
Spartan Grocers Inc. (convenience stores) Los Angeles	1,235	2-4
Stater Bros. Markets Colton	43	2
Thriftimart Inc. (drug stores) Smart & Final Iris Division Los Angeles	3,500	7-8
Von's Grocery Company Los Angeles	112	7

The search for improvement never stops. Water used in processing plants, long wasted, now is recycled into irrigation systems.

Wanted: Wider Choice

STEPHEN HALDEN, Commercial Officer, San Francisco

The yellow pages' restaurant section of any telephone directory in northern California reads like a gastronomic map of the world. Italian, Chinese, Japanese; Latin American, Irish, French; Canadian and Canadienne; Armenian, Arabian, Czechoslovakian; Russian, German, Basque; Vietnamese and Greek: all cuisines are here.

What's more, the residents in this cosmopolitan area love to dine out — especially the 6 million who live in the San Francisco Bay area. They are joined every year by food-loving tourists who last year spent $140 million in restaurants, and 600,000 university students whose appetite for sustenance notoriously equals their thirst for scholarship. What all this means is that there is a market here for an extraordinarily wide range of food service equipment; particularly for unusual equipment.

Annual sales in California of food preparation, service and related equipment are estimated in the $45 million to $50 million range. At present, Canadian equipment accounts for approximately $20,000 of those sales, but with a little marketing effort and "different" products, this figure could be increased to at least $2 million.

Innovative Design

American manufacturers are highly competitive in quality and price but often offer a limited choice of design and size. With rare exception, American products tend to differ little from one manufacturer to the next, since all manufacturers strive for mass market distribution and major production runs. As a result, comparatively little thought is given to innovation or to products that would meet the needs of a small market area.

Labour and/or energy efficient equipment, such as micro-wave ovens, small fryers and small glass-washers, etc., are also in high demand. A well-managed restaurant chain based in San Francisco now spends 40 cents of every dollar earned on labour, and food service operators anticipate implementation of new energy-saving regulations in the near future.

On September 15, the California Energy Commission is expected to rule on recommendations by the Commission's Conservation Division to reduce energy consumption by refrigerators, freezers and air conditioners for home use by an average of 30%. If accepted, the recommendations would become law one year after approval, which could be as early as September, 1977, three years before implementation of new U.S. government standards.

Robert O. Watkins, the Commission's deputy division chief for conservation, has said that he believes an energy-saving code for commercial appliances will be developed at a later date.

Specialty equipment to prepare ethnic foods such as European sausages, Italian pastas or Oriental noodles is another area of opportunity for Canadian manufacturers. There are occasions when a Canadian product, although higher priced than its American counterpart, will be preferred on the basis of greater energy efficiency, style, colour or size.

Customs duties, ranging up to 12%, have not been a barrier to products of low cost or unique design, but uniqueness, not cost, gives Canadian manufacturers the best crack at the market. A minor hindrance, at least to newcomers in this market, is the approval required for electrical and/or food service equipment. Electrical appliances must have the approval of the Underwriter's Laboratories whose standards are similar to those of the Canadian Standards Association. Information on standards requirements can be obtained by writing to Underwriters' Laboratories Inc., 207 E. Ohio Street, Chicago, Ill. 60611.

Canadian manufacturers will have better success in the California market if they ensure food service operators good after-sales service. This is best achieved by appointing a manufacturers' representative who will not only place a product with a responsible distributor who provides quality servicing, but will also promote the product for installation in new eating establishments. Products should be priced, duty and brokerage paid, FOB port of entry. It is then a simple matter for the buyer to determine freight costs to his establishment.

Canadian manufacturers should consider visiting the market to assess its potential, and if possible, combine the visit with participation in the annual Western National Restaurant Convention and Exposition in San Francisco next September 11 to 14, or the Pacific Coast Regional Restaurant Convention and Show in Los Angeles August 13 to 16, 1977. Financial assistance to exhibit at the shows may be available from the Department's PEMD program.

The Commercial divisions of the Canadian Consulates General in San Francisco, Seattle and Los Angeles will assist manufacturers in all their marketing endeavours in the areas.

Prefab Housing Industry: An Update

CLAUDE FONTAINE, Vice Consul and Assistant Trade Commissioner, San Francisco

The U.S. construction industry — particularly the residential sector — is in much better shape than it was a year ago.

Experts estimated in June that U.S. housing starts would reach 1.5 million for the year, a 25% improvement over last year. Roughly 10% of these starts — 150,000 — would take place in California alone.

There is, however, still little for the average American family to be happy about: the median selling price of a new house has increased so rapidly in recent years that only about three families out of 10 can afford to buy one. In California, for example, the average cost of a new house in 1975 was $56,000 — well above the national average — and monthly payments averaged $350 to $400 over a 30-year period, excluding taxes and insurance.

It seems that the typical American family has not, however, given up the "Great American Dream" of having their own home, even though it means grudgingly and gradually accepting a reduction in the amount of luxury items that had come to be regarded as standard in most new houses. This "no frills" trend has brought tremendous success to builders who adopted it during the last two years.

Another less evident but equally important change that is taking place in the U.S. housing industry should be of particular interest to Canadian manufacturers whose experiences with a similar trend in Canada places them in a competitive position. Pre-cut, prefabricated, modular and mobile homes in the U.S., as in Canada, are claiming an increasing share of the housing market. In recent years they have accounted for about 20% of new U.S. homes, indicating consumer recognition and acceptance of manufactured homes as a viable, low-cost alternative with the added advantages of quick erection and adaptability to customer requirements.

A survey the San Francisco Post conducted in Northern California, Nevada, Colorado, Utah, Wyoming and Hawaii revealed that a good and growing potential exists for prefab houses, not only as principal residences but also as vacation homes in seaside, Rocky Mountain and Sierra holiday areas.

All of the above is to say that Canadian prefab manufacturers, particularly those with plants in Western Canada including those who have looked at this area before, may be missing some excellent opportunities. Now, when the housing industry is undergoing innumerable changes, is the ideal time for manufacturers to examine or re-examine the huge potential in the Western U.S.

Before any Canadian manufacturer jumps into this market, however, he will want to compare a few fundamental costs — labour, materials, shipping, etc. — with American competitors such as Boise Cascade, Kauffman and Broad, Far West Home, CAPP Homes, etc., to see just how competitive he is. It is impossible to explore this aspect in a short article, since the range of homes and prices is so broad. Although the Consulates General on the U.S. west coast can provide you with average U.S. manufacturers' prices, the easiest and most effective way to effect the comparison is to let us do some specific probing on your behalf. To do this, we need complete up-to-date information on your product, i.e. types of houses made and "packages" offered, materials used, names of direct U.S. competitors, modes of shipment used in Canada, price lists, geographical area(s) of interest and any other relevant information. We suspect that although Canadian manufacturers can seldom compete on the basis of price only, they can do so on the basis of quality, design and originality.

The next step is a visit to the geographical region of most interest to determine the various requirements of the local market, such as building codes, and the ability to absorb marketing costs, such as duty and freight, and still be competitive.

Don't be overly frightened by the

"building codes maze" and a multitude of unfamiliar approval procedures. There has been impressive improvement in these areas over the last few years, although the situation is still complex enough to require on-the-spot attention and assessment by an expert. The best expert is the Canadian prefab manufacturer.

Although over 8,000 different building codes have been in use the U.S. municipal, county, state and model codes in recent years, the "model" codes have rapidly become important and frequently used. There are four major codes — National Building Code, Basic Building Code, Southern Standard Building Code and Uniform Building Code. The latter two are by far the most popular in the western U.S. In some Rocky Mountain states both are used and are of equal importance; but in most western states the Uniform Building Code issued by the International Conference of Building Officials in Pasadena, California, is by far the most popular. A recent survey of 244 west coast cities with a population of 10,000 or more showed that all but 20 had adopted the Uniform Building Code.

Notable exceptions were cities such as San Francisco and large urban counties. Since the bulk of new residential construction in future years will not be in areas like these, where land is scarce and costs correspondingly high, but outside of urban centers on virgin land, or in increasingly attractive areas with lower economies and unsaturated population, such as the Sierra Nevada foothills, Canadian prefab manufacturers entering the market should not be excessively concerned with overly restrictive regulations.

In any event, since building codes are so critical to marketing, Canadian businessmen will want to do some double checking — for example verify with the Department of Housing in any state in which they want to do business that the state code, if one exists, is not more stringent than the model code —

this is rare but can happen — or find out if separate sets of legislation apply to different parts of the state.

Since financing the purchase is a major concern to any home buyer, it is important for the supplier to facilitate access to mortgage funds. Federal Housing Administration (FHA) and Veterans Administration (VA) approvals can be sought by Canadian manufacturers. FHA approval can be obtained by writing to the Engineering Section of the U.S. Department of Housing and Urban Development (HUD) in Washington, D.C., providing typical plans of houses, construction methods and materials used, etc. Depending on the foregoing information, HUD may or may not send an inspector to check the plant. VA approval follows FHA approval almost automatically since both agencies endorse the same standards. An appraiser from the Regional Office of Veterans Department will, however, double check each house after erection to ensure that FHA approval was warranted.

During his on-the-spot visit the Canadian manufacturer will call on several potential "representatives" since he will have to work with one. Several options are possible, including land developers, builders, distributors and factory representatives. It is difficult to recommend a best choice, because production capacities, financial capabilities, operational interests and sizes of the Canadian manufacturer and the potential partner vary.

It seems, however, that the small-to-medium size builder who erects from 30 to 100 houses a year might be the key firm for Canadians to do business with. The land developer offers little flexibility and usually deals in large numbers; possibly too large for many Canadian manufacturers. On the other hand, the mid-size builder can provide a comprehensive knowledge of local conditions and requirements, such as building codes and approval schemes, and he often has his own crew to erect the house, which removes the inconvenience of dealing with U.S. labour availability, legislation and unions from the manufacturer's shoulders. The builder is also in a position to make recommendations with respect to shipping procedures, choice of materials, etc., which in the end will save his supplier money.

In many instances, notably for vacation homes, a local distributor/dealer can provide a satisfactory relationship. He usually receives a discount on the manufacturers' price list and determines his sales price, although the manufacturer may establish a maximum. This type of partner must usually meet a quota and either contracts out the erection or leaves it to the customers to find a contractor. The major problem is to find a good distributor, as he usually carries only one line and is reluctant to give it up if he is having any success with it.

The factory representative is a manufacturer's representative who probably already sells furnaces or other products for the house and will concurrently call on builders, contractors or even land developers on behalf of his principals. He gets his income from commissions on the sales he makes. While the representative is probably the least costly type of partner, he leaves the Canadian supplier to deal with marketing overheads and other worries.

Transportation is another major consideration, since it has a direct effect on the product's competitiveness. On the U.S. coast — not unlike in Canada — prefab houses usually move to the buyer by truck, which allows the house to be properly "packaged" at the factory and delivered directly to the site without excessively costly intermediate handling. Depending on distances, carrier regulations and shipping rates, the manufacturer might use available freight companies, contract out for shipping, lease trucks or use his own. In certain cases, rail may provide a viable and economic alternative, despite increased risks for damage.

Nothing seems to come easily in the construction industry these days, but lately companies that have shown imagination and a capability to adapt to market requirements have been successful. The Post can assist Canadian prefab manufacturers — particularly those from western Canada — who would like to increase their profits by entering the western U.S. market, on a step-by-step basis. Manufacturers should first send the Post complete information on their products — types and sizes of houses manufactured, materials used, capacity, etc. — indicate market size and geographic areas of interest, and include brochures and price lists. The Post will then assess the manufacturer's competitive position.

A copy of this information should be submitted to the U.S. Division, Western Hemisphere Bureau, Department of Industry, Trade and Commerce, Ottawa, K1A 0H5. The Bureau will assist the manufacturer to obtain duty rates and will alert him to potential market access problems.

The next step is a visit by the manufacturer to the geographical area that interests him to determine specific requirements of local building codes, to obtain product approvals, and to choose a firm with whom to do business.

The three Consulates General on the U.S. west coast — San Francisco, Seattle and Los Angeles — are ready at any time to do whatever is necessary to ensure that manufacturers' visit to their areas are worthwhile and, above all, profitable.

Swedish sport and leisure

WILLIAM MANSTON, Commercial Officer, Stockholm

Sweden is well advanced into the post-industrial society. The average employee now has about 135 days a year of holiday — probably even more in the future. Working hours have been shortened; the average is 40 a week and there is serious discussion of a 35-hour — or 30-hour week — with a fifth week of vacation. All this spare time has led to increased interest in leisure and sporting activities of all kinds.

The Swedes are open air enthusiasts and nature lovers. During the summer months and often in the winter too, city dwellers desert their apartments for their weekend cabin or summer house. There are about 750,000 holiday cottages in Sweden, about one cottage for every fifth family. At the current rate of construction of 25,000 summer houses a year, the number of Swedish families investing in cottages and equipping them with garden furniture, household and kitchen utensils, bathroom fittings, and barbecues will increase substantially.

Most of these weekend cottages are located on the small islands of the coast. In the Stockholm archipelago alone there are 7,000 islands and water transport is often the only means of access. Consequently, pleasure boating is a popular pastime in Sweden and the total number of pleasure boats of all types in Sweden is now about 600,000 with 80,000 sailboats in Stockholm alone! Annual increases have been in the range of 30,000 to 60,000 units a year over the last five years. Of the country's 8.3 million population, about 1.8 million use these pleasure craft. As recently as last year, the industry was estimating 1 million boats in Sweden 1980.

Other means of recreational transport — snowmobiles for example — exceeded the manufacturers' and importers' sales estimates by 25 per cent for the winter season 1974/75. There are approximately 30,000 snowmobiles in Sweden and between 4,000 and 5,000 are sold annually. Clothing and accessories show high potential as well, especially snowmobile suits (one and two-piece), parkas, helmets, gloves, boots and so on.

There has been a heavy increase in the sales of bicycles in Sweden and the trade is complaining of difficulties in meeting the demand. According to a recent report bicycle sales for 1974 amounted to 440,000 units. Figures for 1975 were not available at this writing. The largest Swedish manufacturer (Monark-Crescent AB) controls 80 percent of the domestic market, importing the component parts but producing frames, mudguards and crank bearings.

During the last few years there has been a determined effort in Sweden to provide all citizens, irrespective of age and sex, with opportunities for pursuing physical fitness. These drives for fitness are undertaken by sports associations sponsored by government bodies to improve health and also to increase the demand for sporting goods and exercise items. As anticipated, the sporting goods market has grown at a considerable rate, with domestic production increasing at a lower rate than imported goods. However, multinational companies like the Swedish auto manufacturer Volvo (see the March *Canada Commerce*), and more recently Pribo, the holding company for Sweden's largest brewery, are examples of large corporations involving themselves in the manufacturing, wholesaling and even retailing aspects of the leisure and sporting goods industry.

High quality vital

The Swedish consumer is becoming more and more quality-minded. In activities such as downhill skiing, ice-hockey, golf, waterskiing and game fishing, brand names play a vital role, a higher price often being no obstacle. Safety requirements are high, particularly where a hazard might be involved. Archery equipment, for example, has to be of high quality for this reason.

Despite the somewhat short season, golf has been picking up as many as 3,000 new players a year. The market for clubs, bags and related equipment is highly competitive; however, there are opportunities for Canadian suppliers of top quality brands. Private brand names in many other sporting articles are used by the Swedish agent/wholesaler for imported items which give a type of guarantee of the quality.

The Swedish market for fishing tacke is very competitive; there are approximately 82 distributors of this equipment. But one manufacturer, ABU Aktiebolag holds 80 percent of the market for rods. It is estimated that the net sales value of rods sold in Sweden is $5 million and that 2 million persons purchase rods each year.

Clothing and accessories for golf, fishing and hunting are also much in demand.

The extensive forest areas of Sweden provide excellent terrain for cross-country skiing and orienteering, with which most Swedes are acquainted from childhood. Cross-country skiing has become internationally famous not least because of the Vasa Race, which attracts more than 10,000 skiers to participate in this historical 53-mile event through the wooded areas of Dalarna Province in West Central Sweden. Orienteering, invented in Sweden, is fast becoming popular in Canada. The object of this sport is to proceed, with the help of only a compass and map, in the shortest possible time over unmarked terrain between a number of control stations, indicated on the map.

The Swedish government lends its support to a plant now controlled by Volvo which manufactures plastic laminated cross-country skis and also a ski using both wood and plastic. The former type is exported to the United States.

The number of tennis, badminton and squash enthusiasts is also growing, with squash accelerating in popularity during the last five years. Interestingly, there are no manufacturers of rackets for any of these sports in Sweden. Tretorn, the first Swedish company to produce pressureless tennis balls

(for which they claim 15 percent of the world market), supplies tennis rackets from its Belgian plant. Labour costs, the absence of skilled craftsmen and international competition from known brands discourage tennis racket manufacturing in Sweden.

Canada and hockey are synonymous to the sports-minded Swede. It is almost 50 years since a Swedish hockey team met a team from Canada for the first time. In 1927 the local side was trounced by the Victoria Hockey Club. Today, Sweden's national team Tre Kronor (Three Crowns) is rated internationally as one of the best. The successful Swedish tour by the Winnipeg Jets with Bobby Hull at the helm included three Swedish players now living in Canada.

A recent survey by a Swedish agent has estimated the total hockey market in Sweden to be in the region of $17 million, an increase of only 1 or 2 percent over 1974. These figures could be incorrectly interpreted by Canadian manufacturers as representing a decline in the purchase of hockey equipment, particularly as competition is so severe, and advertising and PR costs are increasing as a result. However, the principal competitor is the Swedish climate. The mild winters over the last five consecutive years have caused many of the young players to depend on indoor artificially-frozen rinks, of which there is a scarcity in Sweden. Therefore, many of the would-be hockey players have taken up other sports, such as basketball and handball, during the winter season. New arenas are planned for the major cities and Canadian hockey equipment manufacturers currently supplying Sweden, and others wishing to enter, may look forward to a developing market.

WHAT'S IN DEMAND

LEISURE

Hunting and fishing

Trolls

Fishing rods

Hooks and trolling spoons

Other fishing gear

Shotguns and rifles

Ammunition

Clay pigeons

Camping

Tents

Sleeping-bags

Camping stoves

Rucksacks

Camping furniture

Boots, shoes, skiing boots

Air mattresses, bathing articles

Transport, travel

Cars, motorcycles, mopeds

Snowmobiles

Sports planes

Bicycles

Sailing boats

Motor boats, boat engines

Accessories for boats and cars, etc.

Trailers

Sledges, toboggans

Travellers' effects

The home

Sauna units

Swimming pools

Do-it-yourself articles

Garden tools

Garden furniture

Toys

Indoor games

Musical instruments

Photo articles

Barbecues, household equipment

Lawn mowers

Disposable articles of paper or plastic

SPORTS

All seasons

Table tennis: table, nets, rackets, balls

Tennis: nets, rackets, balls

Gym shoes, leather, rubber

Balls, leather, rubber

Physical training articles

Squash, badminton, bowling

Summer

Golf: clubs, balls, shoes

Compasses

Water-skiis, water sports

Diving sports

Horse-racing

Croquet

Vaulting poles, javelins, shot puts, discus

Archery

Winter

Skis, sticks, bindings, grease

Skates

Sticks, bandy* and ice-hockey

Balls and pucks

Safety covers, ice-hockey, bandy

Canadian manufacturers wanting further detailed information on their respective market sectors and considering Sweden as a future export market are invited to write:
Commercial Division,
Canadian Embassy,
P.O. Box 16129,
S-103 23 Stockholm 16,
Sweden.

* A game tantamount to field hockey on ice.

Canadian Fall Fashions

Canadian designers clearly illustrated that they do have their own ideas at the Fashion Designers Association of Canada's Fall '76 Trend Shows held in Montreal and Toronto well in advance of the Paris Prêt-à-Porter.

A full house of buyers, press and students had the opportunity to view the latest and the newest in Canadian design.

Members of the F.D.A.C., under the sponsorship of Fashion/Canada, told the story — sometimes dramatic, sometimes classic and always innovative. Silhouettes were narrower, both belted or worn loose. Tunics were an important look for Fall — for coats, or worn over skirts, gauchos, dresses and pants.

The colour story for Fall was told in burgundies, greys, brown tones and cool winter shades, often with bright, clear accents. Fabrics ranged from bulky knits and textured woolens to slinky jerseys and flowing chiffons. And suedes and leathers were more versatile than ever before — shown in shirts, vests, skirts, gauchos, pants, jackets and coats.

Inspirations varied from classical to ethnic and all were done with a definite "touch of Canadian" as only our designers know how . . .

For further information:
Mary Stephenson
or
Julia Hinphy
4626 St. Catherine St. West,
Montreal, Quebec H3Z 1S3
514-935-5645

Quebec Musical Masterpiece Chosen for Mexico

In a small city in Central Quebec, the craftsmen and women of the respected firm of Casavant Frères are giving voice to what will be one of the mightiest organs in the Western Hemisphere. When finished, their 10,000-pipe masterpiece will be installed in the new Basilica de Santa Maria de Guadalupe, which will house the national shrine of Mexico.

It will be the largest pipe organ in Latin America — a five-manual, electro-pneumatic instrument of 187 ranks. By comparison, one of the world's most famous large pipe organs, at Royal Festival Hall in London, England, has four manuals and 102 ranks. Only rarely does an organ builder have the opportunity to become involved in a project of this magnitude, and this is the most important one ever undertaken by Casavant Frères, with its factory in Saint-Hyacinthe, near Montreal.

The specifications of the main Basilica organ (Casavant is actually building two organs for the new building but the other is much smaller) are such that Casavant Frères has had to revive techniques not used for 40 years in order to fabricate many of the stops (normally a stop, or rank, consists of 61 pipes), some of which include pipes 40 feet (12.2 m) long weighing more than 800 pounds (362.8 kg).

Casavant Frères' tonal director Gerhard Brunzema. He came to Canada from Germany four years ago after successfully operating his own organ building firm for more than 17 years.

A more important problem has been posed by the question of acoustics. Casavant's tonal director, Gerhard Brunzema, has years of experience in every phase of organ building, but he does not trust completely his highly-trained ear. He believes in the use of electronic equipment such as frequency analyzers and sound level recorders to ensure that Casavant pipe organs sound right in the area for which they have been designed. Mr. Brunzema is frank about the use of scientific equipment: "We are reluctant to publicize this because the possession of good equipment does not guarantee a better artistic result. But we feel it helps us. For one thing, it reduces significantly the time required for making on-site adjustments when an organ is being assembled."

These factors suggest a frantic pace of activity at the Casavant Frères factory, but a visit provides a surprise. It is a quiet place. Men and women go about their work methodically. Despite the fact that the firm employs time-study experts and has purchased a computer for accounting, production planning, inventory control and other paperwork, most of the parts of a pipe organ are still crafted by hand.

Organ building is an ancient art. It is impossible to trace its beginnings, but documentary evidence dating back to 300 BC has been found. Many of the techniques are hundreds of years old and attempts have been made in recent years to improve upon them, but without much success. Some time ago, Casavant Frères, with the help of a metallurgist, sought to improve its way of preparing the metal it needs for its pipes (the best metal is tin), but was obliged to go back to the hand-poured method that has been used by organ builders for at least 700 years.

There is a strong artistic element in organ building which the best firms never compromise for the sake of a high production rate. Too much depends on the perfect finishing of a welded seam, or the deft joining of two pieces of wood which

Hand finishing is important in every phase of organ building. Many of the techniques have not changed for hundreds of years because no-one has been able to find better ways.

The scale of some organ pipes is overwhelming. Others, like the one in this craftsman's hand, seem insignificant but they make their contribution to the sound that is unique to pipe organs.

This is by no means the biggest of the pipes that will go into the Basilica organ. Some will stand 40 feet high and weigh more than 800 pounds.

Some of the 187 ranks of pipes which will give voice to the organ of the Basilica de Santa Maria de Guadalupe.

can be achieved only by skilled hands.

The Basilica will have a capacity for 10,000 worshippers. Construction is not complete and, therefore, the on-site acoustical tests which would assist in designing the organ have not been possible. Mr. Brunzema has had to rely on detailed information from the acoustician employed by the architect regarding dimensions, materials and planned reverberation times, in order to go about the business of "voicing", or tuning the pipes of the organ.

Furthermore, it has been necessary to adhere to an extraordinarily tight schedule. Normally, the building of a large pipe organ can be expected to take about 18 months, but this contract was awarded only last fall and delivery should begin in late August — if the Basilica construction schedule is met — when the components of the two organs will be sent by truck for final assembly at the Basilica. Before shipment, however, the major sections of the two organs will have been assembled at the factory, tested, and then broken down again for the long haul to Mexico City.

Many of the more than 200 artisans of Casavant Frères have never worked at any other craft. Many of the names on today's payroll are the same as those of 97 years ago, when Claver and Samuel Casavant took up the work begun by their father in 1840 and established their company on the site now occupied by a newer Casavant factory.

Over the years, the firm has built fine instruments for churches and other institutions throughout North America. There are several schools of organ-building tradition, with the German, French and Italian pre-eminent. Not surprisingly, Casavant has tended to follow the French school while adding its own variations. It was this, as well as the company's excellent reputation, which attracted Alex Mendez, organist of the old Basilica in Mexico City, and a man influential in the design of the new building.

Senor Mendez was not only aware of Casavant's high standing in the industry, he also was a student of the French school. He asked the Abbott of the Basilica, Most Reverend Guillermo Schulenberg, to have the Saint-Hyacinthe company considered for the formidable task of building the pipe organs that would be heard by pilgrims who would be drawn from all over Mexico and the rest of Latin America.

Casavant president Paul Falcon and vice-president Donald Corbett were awed when they learned their company had won the contract in the face of international competition, but were confident it could be carried out successfully. The project is important for a number of reasons. Mr. Corbett puts it this way: "As our largest instrument to date, this organ is not only of great significance to us as organ builders, but we are sure it will have a considerable effect on the state of the art generally. The Basilica organ is conceived in the monumental romantic tradition, and we hope it will inspire in composers a renewed interest in the pipe organ."

The Basilica is to be consecrated on the Feast Day of Our Lady of Guadalupe, December 12, 1976. A program of music by Canadian composers played by Canadian organists is under consideration.

Pork Popular in Malaysia

MICHAEL YEE, Commercial Officer, Kuala Lumpur

Although Malaysia is predominantly a Muslim country, in Peninsula Malaysia alone more than one million pigs are slaughtered annually for a turnover of over $30 million. The consumption of pork, about 35 pounds per capita a year among the Chinese population of 4 million, is greater than consumption of beef (6.7 lbs.), mutton (7 lbs.) and poultry (16 lbs.).

Malaysia's pig population tripled between 1948 — when it numbered 350,000 — and 1975, largely because of the introduction of exotic breeds, adoption of scientific husbandry practices by the farmers, provision of better-controlled health services and medicine, availability of well-balanced animal feed, and establishment of modern abattoirs and meat packing plants.

Production

Malaysian pig production falls into three main categories:

1. Small Scale Enterprises — In this system, pigs are reared to subsidize a farmer's income. They are raised mainly in rural areas and in "back yards" of some houses on the urban fringes. The numbers reared are usually less than 20 head and they subsist largely on swill. Under this system the cost of rearing pigs is low and slaughter weight is reached comparatively slowly.

2. Semi-Intensive Production — This system is normally associated with market gardeners who depend on crops and pigs for their income. The number of pigs reared varies according to the size of land and the amount of forage that is available for food. It is interesting to note that the pig faeces are extensively used as a cheap source of fertilizer for market gardens and for fish cultivation, and fish waste is converted into valuable animal feed for the pigs.

3. Commercial Scale Production — Commercial pig farming is becoming popular and profitable, and is probably the most important method of pig production. Farms with 2,000 to 4,000 pigs are common. Production is for suckling piglet, wieners and porkers.

Breeds

Malaysia's domesticated, indigenous breed — the Chinese pig — has a high fat-to-lean ratio, a slow growth rate (it takes about 8-10 months to reach a market weight of 200 lbs.) and feed conversion ratios which compare unfavourably with the exotic breeds.

In the last few decades, various exotic breeds of pigs have been imported from the USA, the UK, Australia, New Zealand, Canada, Sweden, Denmark and the Netherlands. It is reckoned that currently about 99% of the pig population consists of various exotic pure-bred and cross-bred varieties. Popular exotic breeds are Landrace, Lacombe, Duroc, Hampshire, Large White, Yorkshire, Chester White and Berkshire. Although preference for breeds at the moment depends on the whims and fancies of the farmers, Landrace, Yorkshire and Chester White are the most popular breeds, but Lacombe is gaining acceptance in the Banting area of Selangor which is one of the most densely populated pig rearing areas in the country.

The three leading breeds have a better-than-average growth rate, more favourable feed conversion ratios and fertility ratings.

Boar Semen

Artificial insemination is carried out only by the Veterinary Department but market potential in this area will open up when the Department eventually relaxes legislation.

Imports

Regulations governing the import of pigs are rather strict. To sell to Malaysia, the exporter must obtain the following documentation:

1. A certificate from a government veterinary authority certifying:
   a) that the exporting country has been free from foot and mouth disease and swine fever (hog cholera) during the 12 months preceeding the date of export b) that the animals were raised on a farm free from transmissible gastroenteritis, porcine enzootic encephalomyelitis, swine vesicular disease and brucellosis and c) that a veterinary surgeon has examined the pigs prior to export and found them to be healthy and free from infectious disease. This statement must be signed by the examiner.
2. A signed declaration from the master of the aircraft in which the pigs are transported stating that no pigs or other ruminants from another country were permitted aboard the aircraft during the time when the pigs to which the declaration refers were on board the aircraft; that no fodder, feed or straw was taken on board at any intermediate airport during the time the pigs to which such declaration refers were on board the aircraft.
3. An import permit issued by the Malaysian Veterinary Department. The permit is normally valid for only one month.

Opportunities

Since 1975, only one Canadian pig exporter has visited and actively pursued sales with the Malaysian farmers. While his initial sales were respectable, the value of his visit was in the groundwork that he laid for the future. Opportunities exist for other exporters who are willing to visit Malaysia and Singapore to promote their pigs. The Posts in these two areas will assist with all arrangements for a visit.

Business Climate Sunny in Kenya

PETER MUSIRA, Commercial Officer, Nairobi

There is investment opportunity in Kenya. With political stability creating a healthy investment climate, more than 60 international organizations have established projects here ranging from automobile and truck assembly operations to a vegetable dehydration plant.

Except for a relatively slow start during the first few years following independence in 1963, Kenya's industrial output has been increasing rapidly. While the main impetus for growth has been demand in the domestic market, exports of manufactured and processed goods have also been rising. Overseas companies are now aggressively beginning to invest in plants whose output is intended primarily for export, and joint ventures are pursued with foreign firms whose technology, external commercial ties and other knowledge or expertise offer advantages superior to that which is available from local private or parastatal commercial enterprises.

A variety of methods has been adopted to promote investment in manufacturing. Investors are offered protection against imports. Foreign private capital receives guarantees under a Foreign Investments Act. The Ministry of Commerce and Industry has set up an Industrial Development Division which includes an Industrial Survey and Promotion Centre to provide advisory services and undertake feasibility studies. There are institutions to encourage development of manufacturing industries including the Industrial and Commercial Development Corporation, the Development Finance Company of Kenya and a recently-established Industrial Development Bank.

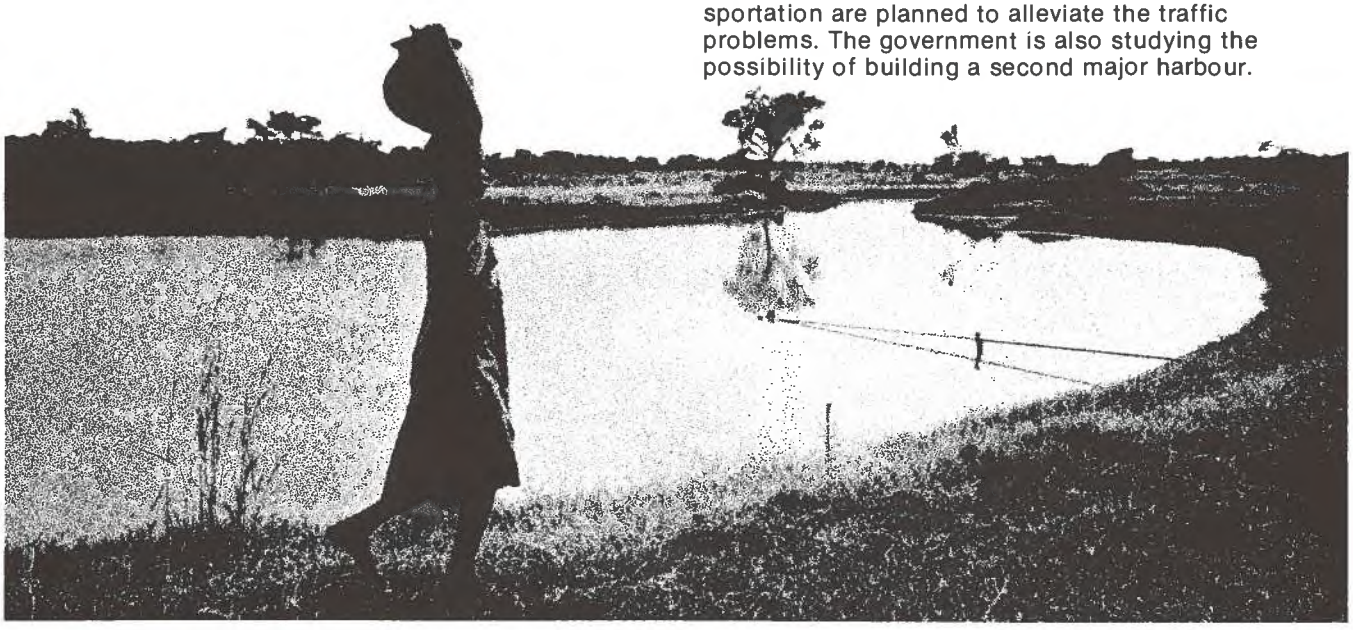
Although 90% of Kenya's population lives in rural areas, urbanization is developing rapidly. One of the most thriving cities is Mombasa. Second in size to Nairobi, it has a population of 300,000 and many important industries including a modern petro-chemical refinery, several heavy industry steel rolling mills, meat processing and fish packaging plants and factories producing soap, cosmetics, garments and woven articles.

Situated on an island approximately three miles long and two miles wide, ringed with palm-treed beaches and coral reef, Mombasa is also a major tourist centre of East Africa. Regular airline and shipping schedules link the city with Europe and North America and completion of $12 million airport expansion project now underway will enable landing of jumbo jets and handling of 1,000 passengers an hour.

Building programs to accommodate an anticipated increase in tourists have begun. A $15 million project includes a 21-storey hotel with 500 air-conditioned rooms, an African bazaar, casino, cinema, restaurant, shops, night club, a 600-seat conference hall and public gardens.

Mombasa's importance as a shipping centre also deserves mention. The largest port in East Africa, it serves Kenya, Uganda, northern Tanzania, Rwanda and eastern Zaire. The Eastern African National Shipping Line, the East Africa Customs and Excise Department and Kenya's navy headquarter here.

Periodically, the harbour suffers from severe conjestion. However, improved equipment and facilities, the addition of more experienced staff, an increase in the number of berths which can be readily converted to handle container shipping, and streamlining of administrative methods and associated land transportation are planned to alleviate the traffic problems. The government is also studying the possibility of building a second major harbour.



Showcase

IT&C's Promotional Projects Program (PPP) and Program for Export Market Development (PEMB) give Canadian companies a continuing opportunity to demonstrate their products, services and expertise to world markets.

The PPP, consisting of trade fairs abroad, incoming and outgoing trade missions and incoming buyers' visits, is initiated by the Department's Office of Export Programs and Services, Industry Sector Branches, International Bureaux and Trade Commissioner Posts in consultation with industry.

The PEMB encourages companies to develop export business on their own initiative and offers them financial and organizational assistance.

Companies that wish to participate in the programs should write for information to the Office of Export Programs and Services, Department of Industry, Trade and Commerce, 112 Kent Street, Ottawa, Ontario, K1A 0H5 or telephone (613) 995-6221.

Southern Furniture Market, April 22-30: In their ninth appearance at the Market, Canadian exhibitors recorded on-site sales of $550,000, and projected sales of $4,100,000 for the next 12 months. Eight companies participated.

Since Canada's first participation in the Market in April, 1972, on-site sales have amounted to nearly $3 million and estimated projected sales total $40,895,000. The number of Canadian exhibits at each showing has varied from eight to 16.

The Market is unusual in that it comprises numerous showrooms and factories extended over a large area of North Carolina, and local factories and manufacturers from Europe and other parts of North America display their new lines twice a year, in April and October. IT&C-sponsored companies originally exhibited in Hickory but eight have now moved to permanent showrooms in High Point.

Offshore Technology Conference & Exhibition, May 3-6: Nineteen Canadian companies, whose displays occupied 3,900 sq. ft. of the Houston, Texas exhibition, wrote on-site sales of $44,000 and anticipate that 583 inquiries will produce sales of $38,795,000 during the next 12 months. The companies are negotiating with 11 representatives.

International Petroleum Exposition, May 17-21: Visitors from Africa and the Middle East showed keen interest in transportation equipment, particularly in tract vehicles, displayed at the Canadian stand. Hovercraft, trucks, tract vehicles, transportation consulting services, pipelines and pipeline protective materials accounted for most of the 18 companies' on-site sales of $95,800. Sales forecast for the next year is $7,845,000. Canadian participants in the Tulsa, Oklahoma exposition received 400 inquiries and appointed 10 agents and distributors.

Automotive Industry Association Show, May 19-21: Four officials from Cuba, one from Spain and 20 U.S. buyers attended the successful Calgary show as guests of the Department. The Cuban visitors remained in Canada for two weeks following the show to meet with executives of the automotive industry.

International Home Electronics and Domestic Appliances Exhibition (HEDA), May 23-27: The 12-month sales projection resulting from Canada's participation in the show at England's new National Exhibition Centre in Birmingham is $5.8 million. On-site sales totalled $878,000.

HEDA was the first international trade show at which exhibits from the brown goods industry — humidifiers air conditioners, fans, electrostatic air cleaners and other portable items — shared display space with major and small appliances.

At Canada's stand, one of 240, six exhibitors displayed all types of appliances including wringer washing machines which aroused considerable curiousity. Visitors to the stand appeared visibly relieved when the manufacturer explained that power supply has not reached a critical stage in Canada, that the machines are produced primarily for export to developing countries.

Wringer washers exhibited by McGraw-Edison of Canada Ltd. sparked "some interesting conversations" at HEDA, said Vice-President of Sales Bob Walker (centre). They sparked interesting sales, too — $170,000 worth on the first day of the show. Exports are destined primarily for the Middle East and North Africa.

People's Republic of China Harbour Technology Mission, May 27-June 10: Ten Chinese government and harbour officials and engineers, studying methods to upgrade China's operations in ports and cargo handling techniques, were shown some of the best examples of Canadian advanced technology in port, harbour and terminal development and cargo handling equipment. They visited Halifax, Montreal, Ottawa, Toronto and Vancouver, and were thoroughly briefed by the National Harbours Board, Harbour Commissioners, Port Terminal and Industry senior management. A 10-member Canadian delegation paid a similar visit to China last October.

Canada World Leader in Oceanology Techniques

Canada's advanced capability in offshore technology will be demonstrated at the Offshore North Sea Conference in Stavanger, Norway, September 21 to 24, 1976 (Stand 210, Siddishallen).

In the past year, several events have helped to emphasize Canada's vital position as a world leader in the development of oceanology techniques and equipment.

One of the most significant is the submarine August Piccard, owned and operated by Horton Maritime Explorations Ltd. Rated as one of the world's most comprehensive sub-sea data acquisition systems, this 100 foot (30-m) craft can house up to three observers and operate with minimal or no surface support for up to 10 days before at-sea refuelling is required. Endurance submerged is 14 hours at 2.4 knots with all survey equipment operating and its power and extended life support system permit it to ride out severe storms on the ocean floor.

The many features of the August Piccard include: television cameras and videotape recorder; side-scan sonar; a sub-bottom profiling system; a single channel, time-domain seismic system; visual observation facilities; magnetometric and gravimetric instrumentation; and an advanced computer-controlled sub-sea relative positioning and navigation system.

Currently, Canada leads all countries in the development of a total subsea oil and gas well completion and production system, designed to be the most economical means of exploiting deep water wells.

Such a system is available from Lockheed Petroleum Services Ltd. Men and hardware are placed on the ocean floor where each wellhead, manifolding and production unit is enclosed in an individual pressure chamber. Standard oilfield techniques are used within the shirtsleeve environment, and no special gas mixes or breathing apparatus are required.

Transportation between the surface and each subsea chamber is provided by a one-atmosphere service capsule — a 10-foot (3-m) diameter sphere rated at 1,200 feet (366 m) working depth. Life support is available via an air circulation and power umbilical unreeled from a surface ship.

Seabed mapping surveys are now possible in previously inoperable conditions with the new seabed exploration technique introduced by Huntec ('70) Limited — the Hydrosonde Deeptow Seismic data collection system (DTS).

Composed of a towing "fish", faired cable, winch, and extensive electronics on-board the towing vessel, the DTS operates at speeds up to eight knots, in swells of 23 feet (7 m). Reliability has been proved over 3,800 line miles (6,000 km) of data collection since 1974 and excellent penetration has been achieved in water depths of 4,590 feet (1,400 m).

Equally impressive is the deck mounted winch system from Fathom Oceanology Limited. This ready-to-mount assembly can be installed on the aft end of a ship without structural alterations. The system's hydrodynamically designed towed "fish" accommodates a wide variety of detecting equipment such as side-scan, bottom profiling, STD sensing and water sampling.

With construction costs constantly on the upswing, a less expensive and time saving offshore building method is welcome.

Such a method — hydrostatically supported sand structures — was developed by Canada's Golder Associates. These sand islands serve as artificial harbors, drilling platforms, mining shafts, chemical plants, or major operations such as nuclear power stations. A prototype is currently under construction in 50 feet (15.2 m) of water at Christchurch Bay, England.

Another significant event was the debut of the world's first dynamically stationed semi-submersible oil rig, the Sedco-709, latest in a series of advanced mobile offshore drilling rigs constructed by Halifax Shipyards. The 709, a twin-hulled, column-stabilized craft, joins the six other gigantic steel rigs completed at the shipyards to date. The Sedco-471 drillship is on order for 1977 delivery.

These are just a few examples of Canada's offshore expertise. The three oceans that wash Canada's shores provide it with some of the most rigorous and demanding natural testing grounds. As a result, Canadian marine equipment is built to be rugged and reliable, and can face the challenge of any offshore requirement in the world.

The Canadian exhibit, located at Stand 210 in Siddishallen is sponsored by Canada's Department of Industry, Trade and Commerce.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