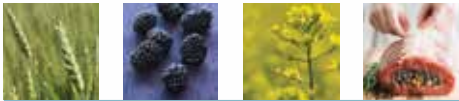




Government
of Canada

Gouvernement
du Canada



2011–2012

Agriculture and Agri-Food Market Access Report

Re-opening, maintaining and expanding markets

Canada

Note to Reader

The statistics, values and other facts contained in this report were sourced from Statistics Canada, Agriculture and Agri-Food Canada, and other government sources, or from private sources as noted. Unless otherwise noted, dollar values are in Canadian dollars.

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MINISTERS' MESSAGE

The Government of Canada is undertaking the most ambitious trade expansion plan in Canadian history. We are working hard to open new export markets in the world's emerging major economies while continuing to strengthen and expand existing trade relationships. More exports mean more jobs for Canadians and sustainable long-term growth for Canada.

Re-opening, maintaining and expanding market access for Canadian agriculture and agri-food products is an important part of our plan. With annual exports worth over \$40 billion in 2011, the agriculture and agri-food sector is a key driver of Canada's economy. Improving market access for Canadian agriculture and agri-food products benefits not only Canada's hard working agricultural producers and their families, but also all Canadians.

We are pleased to present the *Agriculture and Agri-Food Market Access Report 2011–2012*. The Report demonstrates how Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency and Foreign Affairs and International Trade Canada, in headquarters and at our missions abroad, work closely with industry and with the provincial and territorial governments to re-open, maintain, and expand markets for Canadian agricultural products.

Together, we work to ensure our farmers, food processors and exporters can deliver their high-quality products to consumers around the world. Through trade missions and agricultural cooperation, we are deepening and strengthening Canada's trading relationships. Through the negotiation of free trade agreements with key markets, we are seeking to create predictable and level trading environments. We work to overcome trade restrictive measures and trade obstacles, while promoting science-based approaches.

Whether it is beef, pork, canola, wheat, pulses, animal genetics or any of the other numerous agriculture and agri-food products exported by Canadian producers and processors, we are committed to continuing these and other market access efforts to improve opportunities and profitability for the entire sector.



The Honourable Gerry Ritz
Minister of Agriculture
and Agri-Food



The Honourable Ed Fast
Minister of International
Trade and Minister for the
Asia-Pacific Gateway

THE FEDERAL MARKET ACCESS TEAM

The Federal Market Access Team, comprised of Agriculture and Agri-Food Canada (AAFC), the Canadian Food Inspection Agency (CFIA) and Foreign Affairs and International Trade Canada (DFAIT), works in Canada and at our missions abroad, taking a collaborative approach to advancing Canadian interests abroad. The Federal Market Access Team works closely with industry stakeholders to re-open, maintain, and expand international markets for the Canadian agriculture and agri-food sector. Joint government-industry efforts enable faster identification of market access issues, which are pursued aggressively and strategically to improve profitability, competitiveness, and trade opportunities. The Federal Market Access Team draws on perspectives and interests of Canadian agricultural stakeholders to help focus market access efforts, set priorities, and allocate resources on the markets and cross-commodity market access issues that have the greatest potential.

THE MARKET ACCESS AGENDA

Ten priority markets were the focus of the Federal Market Access Team for the period of April 2011 to June 2012. They were selected based on consultations with industry stakeholders, the provinces and territories, and an analysis of economic values and market potential.

Each priority market offers feasible, achievable, and substantial market access opportunities, with benefits across Canadian sectors and regions (recognizing that each sector and region has its own unique priorities and challenges).

In addition to the ten priority markets, the Federal Market Access Team also worked to re-open, maintain, and expand market access in line with the Government's free trade agreements and negotiations, to ensure maximum gains and meaningful access from these initiatives, as well as in many other markets worldwide, where significant opportunities arise.

The ten priority markets include both established markets and emerging markets.

Established markets are mature markets with existing and successful networks of government and non-government contacts and mechanisms for dealing with market access issues. These markets are also defined by strong commercial ties with Canada. The established markets are: Taiwan, the European Union, Japan, Mexico, South Korea, and the United States.

Emerging markets have high economic potential – gross domestic product (GDP) growth greater than 5% – but commonly present higher commercial risks for industry. The emerging markets are: China, India, Indonesia, and Russia.

For each priority market, this report provides a brief profile of the market and its importance to the Canadian agriculture and agri-food sector. It also summarizes the Team's key market access achievements during the reporting period and identifies the major market access issues still to be addressed. In addition, five "success stories" provide a more in-depth look at the major accomplishments achieved through the efforts of the Federal Market Access Team in collaboration with industry and the provinces and territories.

RE-OPENING, MAINTAINING AND EXPANDING ACCESS IN PRIORITY MARKETS

ESTABLISHED MARKETS



EUROPEAN UNION

Background

The European Union (EU) is the world's largest single common market, foreign investor, and trader. It comprises 27 member states with a total population of nearly 500 million and a GDP of just under US\$17.6 trillion in 2011. Agriculture represented 1.8% of the EU's GDP.

In 2011, the EU was Canada's second largest trading partner, and Canada's agri-food exports to the EU were valued at \$2.7 billion. Top exports were soybeans, durum wheat, canola oil, canola seed, common wheat, corn, and lentils.

The Canada-EU trade relationship is a priority for the Government of Canada. The Government is currently working to conclude negotiations toward a Comprehensive Economic and Trade Agreement with the EU. While Canada has had significant success in resolving key market access issues with the EU, there are a number of outstanding issues, including: the EU's strict zero-tolerance policy for low level presence (LLP) of EU-unapproved genetically modified (GM) events in food products; the ban on the feed additive ractopamine, which affects Canadian pork and beef exports; a lack of acceptance of decontamination methods approved in Canada for beef; and the lack of recognition of the equivalency of Canadian inspection systems for meat.

Market Access Accomplishments

Beef

- In January 2012, the EU accepted the amendments to the Canadian hormone-free certification program. Developed in collaboration with the Canadian industry, the protocol should help streamline operations and increase the competitive position of Canadian beef exporters.
- In March 2012, the European Parliament agreed to raise the high-quality most-favoured-nation (MFN) beef tariff rate quota (TRQ) for hormone-free beef, negotiated by Canada and the U.S. in late 2010, from 20,000 tonnes to 48,200 tonnes by August 2012. This increase creates the potential for enhanced economies of scale for exporters and a more predictable trading environment as the likelihood of the quota reaching its threshold is reduced.

Canola

- In September 2011, AAFC provided remote sensing data to enable certified exporters to comply with the EU's Renewable Energy Directive, thus maintaining access to the EU biofuel market.

From 2010 to 2011, exports of Canadian canola seed to the EU increased from \$59 million to \$200 million and exports of crude canola oil increased from \$24 million to \$221 million.

Country-of-Origin Labelling

- In July 2011, the EU agreed to continue to exclude food from the expanded list of items under mandatory country-of-origin labelling (COOL) requirements.

Cranberries

- The EU agreed to continue the tariff exemption on imported cranberries used for mixing with other berries and nuts. This follows information exchanges with the European industry as a result of an EU proposal to re-apply a derogated 17% tariff. Exports exceeded \$9 million in 2011.

Lentils

- In April 2012, the EU adopted a maximum residue limit (MRL) of 10 ppm for glyphosate (Roundup™) on lentils. This resolves a market access issue that arose in February 2011 and ensures continued market access for exports worth over \$103 million in 2010.

Live Sheep and Goats

- In June 2012, under the Canada-EU Veterinary Agreement, the EU recognized Canada as a country having an official brucellosis-free status for the purposes of export. This decision facilitates the export of live sheep and goats and their genetics.

Organic products

- In June 2011, Canada-EU recognition of equivalency of organic products was published in the *EU Official Journal*, thereby formally recognizing the Canadian Organic Regime as equivalent to the EU system, with the exception of processed food products containing ingredients not grown in Canada. The Canadian organic industry estimates that approximately \$46 million in Canadian organic goods and products are exported to the EU annually.

Plant biotechnology

- In June 2011, the EU adopted a “technical solution” for feed on LLP of GM events that are approved in other countries but not yet in the EU. This is an important first step toward ensuring predictability in trade for Canadian exports of grains, pulses, and oilseeds; however, it is not risk-based and only covers events that are in the queue for approval in the EU.
- In December 2011, the EU agreed to extend authorizations for LLP of three discontinued GM canola events that may be present at very low levels in Canadian grain shipments. This will help to secure continued access and reduce uncertainty for Canadian grain, pulse, and oilseed exports to the EU, which were worth over \$1.5 billion in 2011.

Wheat

- In August 2011, the EU recognized Canada’s sampling and testing methods for wheat (ochratoxin-A) and removed the requirement for additional testing at destination. This acceptance of pre-export inspection provides more certainty for Canadian exporters.

Fast Facts

- Canadian grain, pulse, and oilseed exports to the EU were worth over \$1.5 billion in 2011.
- Approximately \$46 million in Canadian organic goods and products are exported to the EU annually.



JAPAN

Background

Japan, with a population of over 127 million, is the world's third largest economy. Japan's GDP increased by 4% between 2009 and 2010; however, it dipped slightly in 2011 to US\$5.8 trillion. Agriculture accounts for 1.2% of Japan's GDP. Japan relies on imports for 60% of its food intake, and this figure has been growing over the past five years.

Japan is Canada's largest overseas agri-food market with \$3.7 billion in exports in 2011. This represented a 24% increase over 2010. In 2011, Canada's top agri-food exports to Japan were canola seed, pork, wheat, and soybeans.

Canada is committed to deepening economic ties with Japan by ensuring that trade flows freely between the countries. Canada and Japan recently launched negotiations toward a comprehensive and high-quality free trade agreement. Market access issues include expansion of access for beef to include beef derived from animals over 20 months of age, access for fresh greenhouse peppers from British Columbia, and organic equivalency.

Market Access Accomplishments

Poultry

- In May 2011, Japan lifted all avian influenza-related restrictions on Canadian poultry, which restored access to this significant market. In 2009, the last full year in which Canada had unrestricted access, Canada exported \$11.7 million of poultry products to Japan.

Fast Facts

- In 2011, Canada's exports of beef under 21 months of age to Japan totalled \$66 million.
- In 2011, Japan was Canada's second largest export market for pork and pork products, exporting nearly \$900 million.



MEXICO

Background

Mexico, with a population of almost 110 million, had a GDP (PPP) of US\$1.1 trillion in 2011, of which the agriculture sector accounted for 3.8%.

Mexico is the world's 13th largest importer of agri-food products, and Canada is among its most important suppliers. In 2011, Mexico was Canada's fourth largest export market for agri-food products, with exports valued at \$1.72 billion. Canada's top five exports to Mexico in 2011 were canola seed, non-durum wheat, fresh boneless beef, canola oil, and canary seed.

Canada-Mexico bilateral agriculture and agri-food trade has been increasing steadily since the North American Free Trade Agreement (NAFTA) came into effect in 1994. Canada continues to work to resolve market access issues with Mexico, including the BSE ban on beef derived from animals over 30 months; certification for shipments of small ruminants; and avian influenza restrictions on poultry meat.

Fast Facts

- Mexico is the world's 13th largest importer of agri-food products.
- In 2011, Canadian canola seed and canola oil exports to Mexico were valued at more than \$900 million.



SOUTH KOREA

Background

South Korea, with a population of 49 million, had a GDP of US\$1.1 trillion in 2011, of which the agriculture sector accounted for 2.6%.

In 2011, South Korea was the fifth largest market for Canadian agri-food, with exports totalling just over \$1 billion. The top five Canadian agricultural exports to South Korea in 2011 were non-durum wheat, frozen pork, crude canola oil, fresh pork, and mink fur skins.

A stronger commercial relationship with South Korea is a priority for the Canadian government. The restoration in January 2012 of access for Canadian beef from animals under 30 months (UTM) of age strengthened trade relations and provided momentum to re-engage in discussions toward a free trade agreement. Canada continues to work to resolve market access issues with South Korea, such as treatment of organic products; labelling standards for GM foods; renegotiation of conditions for the export of Canadian tallow; and access for fresh and chilled blueberries.

Market Access Accomplishments

Beef

- In January 2012, after more than eight years, access for Canadian UTM beef to the South Korean market was restored. The Canadian beef industry estimates that with restored access, Canadian producers' annual sales could reach \$30 million by 2015.

Canola Oil

- In early 2012, South Korea harmonized its tariff rates for refined edible oils, placing refined canola oil on par with competing refined edible oils, including soybean oil. Total exports of Canadian canola oil to South Korea were valued at \$82 million in 2011.

Cattle genetics

- In April 2011, at Canada's request, South Korea approved the use of an alternative antibiotic for the treatment of embryo donor cattle in the health certificate for Canadian bovine embryos. In 2011, Canadian exports of bovine embryos to South Korea were worth \$440,000.

Fast Facts

- In 2011, Canadian exports of pork (fresh and frozen) to South Korea were valued at over \$200 million.

Success Story:

Sustained Government-Industry Effort Re-opens South Korea to Canadian Beef



In May 2003, South Korea banned Canadian beef and beef products in response to Canada's first case of bovine spongiform encephalopathy (BSE). South Korea was Canada's fourth biggest beef market in 2002, so restoring access to this important market was an immediate priority for the Government of Canada.

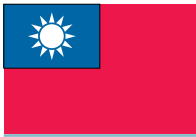
With a stalled bilateral process, Canada decided to challenge Korea at the World Trade Organization (WTO), the formal dispute settlement body for trade, and submitted formal request in 2009.

"But we didn't sit back idly as the WTO process unfolded," said Jim Laws, Executive Director of the Canadian Meat Council. "Instead, government and industry continued to underscore the fact that Canadian beef met or exceeded internationally recognized standards as set by the World Organisation for Animal Health (OIE). And we continued to emphasize the high-quality and safety of Canadian beef."

The Federal Market Access Team's efforts to continue bilateral talks throughout the ongoing WTO process resulted in a successful bilateral agreement. In January 2012, Canada regained access to the South Korean market for UTM beef and beef products. With access effectively restored, Canada requested termination of the WTO proceedings in June 2012.

Producers across the country welcomed the news that the lucrative South Korean market – the last significant Asian market to lift the ban on Canadian beef – was once again open to Canadian beef. According to John Masswohl, Executive Director, International Relations, Canadian Cattlemen's Association, "This restored access could equal more than \$30 million for Canadian beef producers by 2015." By mid-June 2012, more than 30 commercial beef shipments from Canada had cleared South Korean customs.

The restoration of market access for Canadian beef to South Korea paves the way for additional talks on outstanding trade issues.



TAIWAN

Background

Taiwan, with a population of over 23 million people, had a GDP of US\$500.8 billion in 2011, of which the agricultural sector accounted for 1.32%.

In 2011, Canada's agri-food exports to Taiwan were valued at almost \$204 million. The top five agri-food exports were frozen pork, beef hides, canola oil, prepared foods, and frozen chicken.

In 2011, Taiwan's GDP grew at 4.4%. This rapid economic growth is expected to continue, creating increased demand for meat, dairy products, and alcohol. Much of this growing demand is expected to be supplied by imports.

The Government of Canada continues to work to resolve market access issues, such as access for poultry products; expanded beef access; bovine embryos; and fresh apples.

Market Access Accomplishments

Bovine Genetics

- In August 2011, following approval of the sample certificate provided by the CFIA, Canada gained access for foetal bovine serum (FBS) to Taiwan. Canada is one of a few suppliers of FBS to the Taiwanese market.

Poultry

- In June 2011, Canadian and Taiwanese authorities reached agreement on an export certificate allowing most poultry product exports to resume. Canada exported \$16.8 million in poultry products to Taiwan in 2011.

Fast Facts

- In 2011, Taiwanese global imports of pork, beef, and poultry totalled \$854 million.
- Canada's top agri-food exports to Taiwan were pork, beef hides, canola oil, prepared foods, and frozen chicken.



UNITED STATES

Background

The United States, with a population of over 311 million people, is the world's largest economy. In 2011, the U.S. GDP was US\$15.1 trillion, of which agriculture accounted for 1.2%.

Canada and the U.S. are each other's most important trading partner and enjoy the largest bilateral trading relationship in the world. Since the implementation of the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement, two-way trade in goods and services has almost tripled. In 2011, our bilateral trade in goods and services was \$708 billion. In 2011, Canada exported over \$19.5 billion in agri-food products to the U.S. accounting for almost half of all Canadian agri-food exports. Canada's top agri-food exports to the U.S. are live cattle, fresh boneless beef, baking-related goods, canola oil, and frozen potatoes.

Released in December 2011, the Canada-U.S. Regulatory Cooperation Council (RCC) Joint Action Plan sets out 29 initiatives – 10 of which are agriculture and food related – where the two countries will seek greater alignment in their regulatory approaches. The RCC focuses on three areas within the agriculture and food sector: food safety, agricultural production, and marketing. Increased regulatory cooperation in this sector will help make it easier to conduct business between Canada and the U.S., thereby enhancing two-way trade in agriculture and agri-food products.

The Government of Canada continues to work to resolve market access issues with the U.S. and to minimize the impact of U.S. litigation, regulations, and legislation. Areas of focus include:

- Continued regulatory alignment through the RCC and the Beyond the Border Initiative.
- Removal of BSE restrictions still being applied to small ruminants for breeding purposes; litigation concerning the BSE Second Rule and exports of beef derived from cattle over 30 months of age; and the anticipated finalization of the BSE Comprehensive Rule, which would bring all BSE-related measures into one area of the Code of Federal Regulations.
- Monitoring of the U.S. Food Safety Modernization Act, which includes provisions for tightening oversight of domestic and imported food.

Market Access Accomplishments

Canola

- In August 2011, the last remaining Canadian canola meal processing plant was removed from the U.S. Food and Drug Administration's (FDA) Import Alert List.
- In September 2011, Canada's petition to the U.S. Environmental Protection Agency (EPA) to allow the U.S. Renewable Fuel Standard (RFS2) program to accept an aggregate approach rather than land-use recordkeeping was approved. This provides Canadian biofuels and

feedstocks, particularly canola, with access to a market estimated to be worth approximately \$450 million.

Grain

- In August 2011, the U.S. Department of Agriculture (USDA) agreed to restore access for the import of Canadian grain screening pellets into the U.S. from CFIA-approved facilities. Annual exports of grain screening pellets to the U.S. have been valued at up to \$10 million.

Livestock

- In November 2011, a WTO panel released its final report determining that the U.S. COOL measure discriminates against foreign livestock and is inconsistent with WTO trade obligations. In June 2012, the WTO Appellate Body confirmed that finding.

Rendered Products

- In September 2011, Canada announced the successful conclusion of protocol negotiations for the export of bovine blood meal to the U.S. for access that was granted in 2007 as part of the BSE Second Rule. The value of Canadian blood meal exports to the U.S. is estimated to be \$4 million annually.

Sheep and Goats

- In March 2012, the USDA agreed to allow transit of small ruminants (sheep and goats) through eligible U.S. airports enroute to a third country. In 2002, the last year that Canadian small ruminants were eligible to enter the U.S., exports to all destinations were valued at \$12 million.

Fast Facts

- Canada and the U.S. enjoy the largest bilateral trading relationship in the world, with two-way trade in goods reaching \$597 billion in 2011.
- In 2011, bilateral trade in agriculture was valued at over \$38 billion.
- Canadian canola and canola oil exports for biofuel production to the U.S. are valued at \$450 million.

Success Story:

WTO Ruling – Triumph for Canada



In June 2012, the WTO Appellate Body agreed with Canada's claim that U.S. country-of-origin labelling (COOL) discriminates against Canadian cattle and hogs. It marked a victory for these sectors and also demonstrated the effectiveness of government-industry collaboration.

Implemented by the U.S. in 2008, COOL introduced significant costs due to the need to segregate imported animals from domestic animals, which led American buyers to stop or limit purchasing Canadian cattle and hogs. This resulted in losses of hundreds of millions of dollars for the Canadian industry.

Canada immediately launched bilateral discussions to resolve the issue. However, the U.S. refused to amend COOL, forcing Canada to take its case to the WTO. The Government of Canada, along with the Canadian Cattlemen's Association (CCA), the Canadian Pork Council (CPC), and the Canadian Meat Council (CMC), worked tirelessly to support Canada's case that the COOL measures were reducing competitiveness and were a violation of U.S. trade obligations under the WTO agreement on Technical Barriers to Trade.

"We were able to coordinate a very complex and successful process to gather evidence to support the discrimination claim," said John Masswohl, Executive Director, International Relations, CCA. "Our case did not solely rely on legal arguments, but required hard data from producers. Because of the close cooperation between the Canadian government and the industry, we were able to collect this information, which was instrumental in putting forward a strong case."

The case was complex and costly for both the Canadian government and the industry, but the Appellate Body's decision, which is final, ruled that the U.S. will have to change COOL so that it does not discriminate against Canadian exports of cattle and hogs.

EMERGING MARKETS



CHINA

Background

China, with a population of over 1.3 billion, is the world's second largest economy. In 2011, China's GDP was US\$7 trillion, of which the agriculture sector accounted for 10%.

China continues to be Canada's third largest export market for agri-food products, with main exports being canola seed, canola oil, peas, canola meal, and mink furskins. In 2011, Canada's agri-food exports to China were \$2.7 billion.

Canada is actively engaged with deepening its trade and economic relations with China. The two countries recently jointly released the Economic Complementarities Study. The Study highlights the strong momentum and expansion in bilateral trade and investment relations. It also identifies a number of important complementarities and prospects for growth, at the same time as pointing to the need to address certain challenges to best take advantage of these complementarities, including those in the agriculture and agri-food sector. The Study concludes that the Canadian and Chinese governments should continue to deepen and strengthen bilateral trade and investment ties through appropriate bilateral instruments to ensure that Chinese and Canadian citizens can continue to build a prosperous and sustainable future.

The Government of Canada, along with industry, continues to build a strong trade relationship with China. Significant agreements between the CFIA and China's General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) have been signed, further opening the market for Canadian industrial bovine tallow exports to approved Chinese importing facilities and working to resolve issues surrounding blackleg in canola. AAFC organized a food safety workshop in March 2012 in Ottawa for several Chinese scientists and regulators from the newly formed Centre for Food Safety Risk Assessment at China's Ministry of Health. Participants discussed Canada's approach to food safety risk assessment, risk communication, and the application of international risk assessments on domestic policies.

Looking ahead, the Government of Canada's efforts will focus on: increasing access for Canadian beef and beef products; continuing access for canola; China's approval of additional Canadian beef plants for export; regaining access for poultry from British Columbia and Manitoba; and expanding market access for cherries, timothy hay, and live cattle.

Market Access Accomplishments

Alfalfa hay

- In March 2011, China approved a plant health protocol to allow the import of Canadian alfalfa hay. Between March and May 2012, Canada exported \$220,480 worth of alfalfa hay to China.

Beef, beef products, tallow, and dairy

- In June 2011, agreement was reached to allow entry of Canadian UTM deboned beef. Canada thus became the first BSE-affected country to regain access to China's market for beef. Industry estimates that the Chinese market will be worth \$110 million once full access for Canadian beef and cattle is achieved.
- In August 2011, Canada negotiated a new Canadian Dairy Export Certificate that will allow Canadian dairy manufacturers that meet regulatory requirements to export their products to China. In 2011, Canada exported \$3.84 million worth of dairy products to China.
- In February 2012, the *Cooperative Arrangement on Inspection and Quarantine Access Issues* was signed. It includes provisions for technical exchanges regarding the export of bone-in beef and offal derived from UTM animals and the creation of a Joint Technical Working Group on export conditions for Canadian dairy cattle. It also includes a commitment to complete on-site inspections of additional Canadian beef export establishments to further facilitate trade in beef and beef products.
- As the result of the Tallow Protocol signed during the Prime Minister's February 2012, China confirmed in May 2012 that trade in Canadian bovine tallow for industrial use can resume to approved Chinese importing facilities. Industry estimates that the Chinese market for Canadian tallow for industrial use could be valued at up to \$50 million annually.

Canola

- In July 2011, Canada secured an extension to the transitional trade measures granted by China in 2010 related to blackleg, a fungus common in Canada. This provided continued access for exports of Canada's canola seed crop. In 2011, Canada exported \$1.6 billion in canola products to China.
- In February 2012, a Memorandum of Understanding (MOU) between Canada and China was signed that will support research aimed at more effectively mitigating risks associated with blackleg. This research is expected to provide long-term trade stability for Canadian canola products.

Fast Facts

- Canadian pulse exports to China increased from approximately 67,000 tonnes in 2002 to more than 586,000 tonnes in 2010, almost all of which is peas.
- Canadian exports of pork and pork products to China rose from \$58.8 million in 2010 to \$201.8 million in 2011.

Success Story:

Canadian Canola to China – Rapid Collaborative Response Maintains Access



In November 2009, shipments of Canadian canola enroute to China were mid-ocean when news came that China would not accept canola testing positive for *Leptosphaeria maculans*, commonly called blackleg. China feared that its rapeseed crop could be infected with the fungal disease.

The Government rapidly moved into action to find a solution that would keep the doors open to China, which in 2008-09 had imported 2.8 million tonnes of Canadian canola with a value of \$1.3 billion. “Our mandate enabled us to do exactly what the situation demanded,” said Fred Gorrell, Director General of the Market Access Secretariat, AAFC, “Within days, we were on the ground in China working to keep the border open to Canadian canola.”

Working closely with the Canola Council of Canada (CCC) and Chinese authorities, an exemption was secured allowing Canadian canola to be delivered to Chinese processing plants that were located away from major rapeseed growing areas. It was a mutually beneficial agreement: China was able to continue to receive high-quality Canadian canola to meet its needs while addressing its concerns about its rapeseed crop, and the Canadian canola industry was able to maintain access to this important market.

During the following years, Canada and China’s ongoing efforts continued to move forward on maintaining and expanding access for Canadian canola. In 2010 and 2011, extensions to the transitional agreement were secured. In 2010, a joint Canadian government-industry research project was launched that aims to develop a long-term solution based on science. This project was further expanded in 2012 following further discussions with Chinese experts.

Keeping this valuable market open was the result of the integrated and collaborative approach of AAFC, the CFIA, and DFAIT and a common goal: to maintain access to one of our most important markets for canola.

Other commodities can learn from this experience. Jim Everson, Vice-President of Corporate Affairs, CCC, advises industry and government to, “Genuinely listen to the issues of the importing country and work to offer solutions that are commercially and operationally feasible.”



INDIA

Background

India has the world's second largest population, with 1.2 billion people. In 2011, India's GDP was US\$ 1.9 trillion, of which agriculture accounted for 17.2%.

India is Canada's sixth largest agri-food export market. In 2011, Canada's agri-food exports to India were valued at \$640 million. Pulse crops (peas, lentils, and chickpeas) accounted for 98% of agri-food exports, followed by whey and mustard seeds. In addition to being a key market for Canadian pulses, India has the potential to be a priority market for many other Canadian agricultural products, including grains, oilseeds, animal genetics, fodder, fats and oils, processed foods, beverages, and confectionery.

The Government is committed to building on our strong ties with India to create new opportunities and strengthen the economies of both countries. The Government is currently negotiating a Comprehensive Economic Partnership Agreement with India.

Canada continues to work with India to resolve market access issues in commodities such as: pulses, cereal grains (wheat, malting barley, oats), canola seed, live animals (cattle and swine), and bovine semen.

Market Access Accomplishments

Horses

- In June 2011, India granted access to its market for Canadian breeding horses. India's total imports of horses were valued at \$4.1 million in 2011.

Pulses

- In August 2011, India agreed to extend the pulse fumigation derogation granted for Canadian pulses to March 31, 2012, which was followed by a further extension until the end of March 2013. In the meantime, Canada and India continue to work on a sustainable solution. India is Canada's largest market for pulses, worth \$632.6 million in 2011.

Fast Facts

- India is one of the fastest growing economies in the world, growing at an average annual rate of 5.8% in the last two decades.
- In 2010, Canada's exports of pulses to India were valued at \$415.6 million: in 2011, they increased by \$217 million to \$632.6 million.
- In 2011, Canada's agri-food exports to India totalled over \$640 million.



INDONESIA

Background

Indonesia, with a population of 235 million, had a GDP of US\$823 billion in 2011, of which the agriculture sector accounted for 14.7%.

Indonesia was Canada's 16th largest overseas market for agriculture exports in 2011, with a value of approximately \$356 million. In 2011, Canada's main exports to Indonesia were non-durum wheat, meat flours and meals, peas, malt extract and frozen fries. Exports of Canadian prepared foods and seafood have experienced significant growth over the past four years.

The Government of Canada has been working to secure improved access for Canadian agriculture and agri-food exporters to this growing market. Ongoing market access issues include: bans on bone-in beef products, offal and tallow, live cattle, sheep, and goats and their embryos and semen; obtained recognition of Canada's national seed potato certification program; trade requirements for fresh cherries; and the need for recognition of Canada's field crops and horticulture food safety systems under a new regulation.

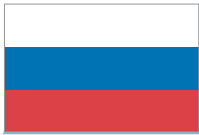
Market Access Accomplishments

Rendered Products

- Canada successfully worked with Indonesia to rescind a plan to temporarily ban Canadian rendered animal by-products in response to Canada's 18th reported BSE case, thereby protecting a market worth approximately \$18 million in 2011.
- In November 2011, Canada secured release of delayed import permits for shipments of rendered animal by-products. This provided clearance for entry into Indonesia of approximately 7,800 tonnes of such product and one shipment of blood meal, worth an estimated \$3.7 million.

Fast Facts

- Indonesia is expected to register an average of 6.5% annual GDP growth through 2012, as forecast by the Organisation for Economic Co-operation and Development (OECD).
- From 2010 to 2011, Canadian exports of agri-food and seafood to Indonesia increased by 50.3% to \$372 million.
- In 2011, the Indonesian market for Canadian wheat was \$297 million and \$15 million for Canadian horticulture exports.



RUSSIA

Background

The Russian Federation (Russia), with a population of 142.9 million, had a GDP of US\$1.8 trillion in 2011, of which the agriculture sector accounted for 4.5%. Russia is one of the world's largest importers of food products, notably meat.

In 2011, Russia was Canada's 13th largest agri-food export market. Canada's total exports of agriculture and agri-food products to Russia increased from \$278 million in 2010 to \$448 million in 2011. Top exports include pork, beef, pet food, live cattle and swine.

After 18 years of intensive negotiations, Russia became a full participating member of the World Trade Organization on August 22, 2012. Commitments and obligations taken by Russia will provide a more predictable and stable business environment in the future.

Russia's interest in Canadian products and expertise continues to increase. Canada is an ideal partner for Russia to help its livestock sector develop to its full potential through the provision of key agricultural inputs, such as machinery, technology, knowledge, and expertise. To this effect, Canada and Russia are implementing a bilateral cooperation agenda as discussed in the Agriculture Working Group of the Canada-Russia Intergovernmental Economic Commission meeting of June 2011.

In parallel, Canada continues to work to resolve market access issues with Russia, including: the approval of additional establishments eligible to export meat products and the negotiation of veterinary export certificates to comply with requirements of the Customs Union (CU).

Market Access Accomplishments

Approval of additional meat establishments

- As a result of the May-June 2011 inspection visit, ten additional establishments were deemed eligible to export beef to Russia. In 2011, Russia was Canada's fifth largest market for beef exports.

Fast Facts

- In 2011, Russia's annual average imports of livestock and genetics from Canada were worth \$37.3 million.
- Canada was the largest provider of imported pure-bred breeding swine to Russia in 2010 with exports valued at \$8 million, representing one quarter of the market share.
- In 2011, Canada's agri-food exports to Russia included pork valued at \$358 million, beef valued at \$24 million, and soybeans valued at \$22 million.

Success Story:

Canada Provides Leadership on International Collaboration on Low Level Presence



“Low level presence”, or “LLP”, refers to the unintended presence, at low levels, of a genetically modified (GM) plant that is authorized for commercial use or sale in one or more countries but is not yet authorized in an importing country. With the rapid adoption of biotech crops in many countries, incidences of LLP – and the trade disruptions that they create –

are expected to increase. “A mere trace of an unapproved GM plant can prevent a shipment of grains, seed, food, or feed from entering an importing market. This costs importers, exporters, and farmers millions in lost sales and increases costs for governments and industry for monitoring, testing, and risk analysis,” said Jim Everson, Vice-President of Corporate Affairs for the Canola Council of Canada.

The potential for low level presence is unavoidable. As Janice Tranberg of CropLife Canada explains, “Once a GM crop is authorized for use in a country, trace amounts of that crop may become mixed with other varieties or crops in that country. This can happen during cultivation, harvest, transportation, storage, or processing. Even when best management practices are applied, it is difficult to completely prevent comingling from occurring. As a result, a GM crop may be present at low levels in agricultural products that are exported from that country.”

The need to address LLP is recognized internationally and has been discussed at global trade organizations, such as the Codex Alimentarius Commission, the OECD, and Asia Pacific Economic Cooperation. In March 2012, Canada hosted and co-chaired with Paraguay the first International Meeting on Low Level Presence (LLP). Senior officials representing 15 countries met in Vancouver to develop a common understanding of the issue and approaches for managing situations of LLP. Participating countries were Argentina, Australia, Brazil, Canada, Chile, Costa Rica, Indonesia, Mexico, New Zealand, Paraguay, the Philippines, Russia, the United States, Uruguay, and Vietnam. Canadian industry representatives also attended, including the Canada Grains Council, the Canola Council of Canada, and CropLife Canada.

Outcomes of the Vancouver meeting included an International Workplan on LLP, which outlines areas for international collaboration, and an International Statement on LLP outlining the strategic directions, objectives, and intentions of the group. The second International Meeting on LLP took place in September 2012 in Rosario, Argentina.

“The Vancouver meeting provided the opportunity for us to roll up our sleeves and build the level of understanding and international cooperation that is needed for real solutions that will keep markets open,” said Dennis Stephens of the Canada Grains Council. “The meeting was an important first step. And Canada’s leadership was critical for creating the momentum required for change.” The groundwork established in Vancouver has provided a base that continues to facilitate global recognition for the need to collaborate and work toward global solutions to LLP.

BROADER MARKET ACCESS ACTIVITIES: HIGHLIGHTS FROM AROUND THE GLOBE

In addition to the market access accomplishments in the ten priority markets, the Federal Market Access Team worked with industry and the provinces and territories to improve market access for Canadian agricultural products in the following countries, as well as in many other countries around the globe.

Argentina

- In August 2011, Canada and Argentina agreed on export certification for bovine semen. In 2011, Canadian exports of bovine semen to Argentina totalled \$3.3 million (approximately 20% of the total value of Argentina's bovine semen imports).

Azerbaijan

- In February 2012, Azerbaijan agreed to export conditions to allow entrance of Canadian cattle. The bulk of sales are expected to be in dairy genetics. This is a new market for Canadian exporters, and an important step forward in Canada's agricultural trade relationship with Azerbaijan.

Bolivia

- In June 2011, Canada and Bolivia agreed on export certification for bovine embryos.

Cambodia

- In October 2011, Cambodia approved access for Canadian live swine, opening a new market for Canadian producers and exporters. Cambodia imported \$4 million worth of live breeding swine from the world in 2011.

Colombia

- In February 2012, Colombia issued resolutions to enact the Tariff Rate Quotas for pork, beef, and beans that were negotiated under the Canada-Colombia Free Trade Agreement. In 2011, Canada exported \$2.15 million in beef, over \$20 million of pork and pork products, and over \$58.8 million of beans to Colombia.

Ecuador

- In May 2011, access for bovine semen into Ecuador was restored. In 2011, Canadian exports totalled \$204,000 or approximately 12% of the total value of Ecuadorian imports from all international suppliers.

Gulf Cooperation Council

The Gulf Cooperation Council (GCC) is a regional trading block that includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

- In June 2011, the GCC lifted the ban on the import of live cattle. Veterinary health certificates are negotiated individually with each GCC member country. In December 2011, Canada and the UAE reached agreement on health certificates for live cattle.
- In June 2012, Canada reached an agreement with Qatar on health certificates for live cattle.

- In August 2011, Canada reached agreement with Oman on health certificates for exports of milk and dairy products for human consumption.

Honduras

- In June 2011, Canada and Honduras signed an MOU regarding exports of Canadian seed potatoes. In 2011, the total Honduran market for imported seed potatoes reached \$1.64 million, of which Canada supplied 10%.

Malaysia

- In September 2011, Canada secured access to Malaysia for sheep and goat semen and embryos, worth approximately \$275,000.

Moldova

- In August 2011, Canada gained access to Moldova for cattle.

Peru

- In July 2011, the CFIA activated the export certificate for live swine to Peru, after both countries agreed on export conditions.
- In February 2012, Peru re-opened its market to Canadian cattle imports, estimated to be valued at more than \$2.5 million. In June 2012, Peru re-opened its market for bone-in beef derived from animals under 30 months of age, boneless beef from animals of all ages, and offal. This market could be worth up to \$2 million annually.

Philippines

- In April 2011, Canada secured approval of an Alberta horse meat establishment, inspected in June 2010, for exports to the Philippines.
- In January 2012, access to the Philippines for live cattle, sheep, and goats was secured. The Philippines annually imports \$9 million worth of cattle and \$300,000 worth of sheep and goats.

Serbia

- In September 2011, Canada secured access to Serbia for live sheep and goats. Industry estimates this new access to have an initial worth of approximately \$25,000.

Singapore

- In May 2011, Singapore lifted all avian influenza-related restrictions on Canadian poultry. Canada exported \$87,000 worth of poultry products to Singapore in 2011.
- In November 2011, Canada successfully renegotiated export certificates for rendered fats for industrial use exported to Singapore. In 2011, Singapore imported \$36,000 worth of tallow for industrial use.

Tajikistan

- In August 2011, Canada gained access for bovine embryos, opening a new market.

Thailand

- In April 2011, Thailand approved health certificates for Canadian bovine embryos, opening a new market.

Uruguay

- In May 2011, Uruguay recognized Canada as a country free of bacterial wilt of alfalfa. The value of Canadian alfalfa exports to Uruguay in 2011 totalled \$725,000 representing 55% of the total value of Uruguayan imports from all international suppliers.

Vietnam

- In August 2011, Vietnam approved exports of live breeding cattle, sheep, and goats from Canada. This enables access to a market worth approximately \$50 million.
- In August 2011, Canada's food safety control system for fresh foods of plant origin was approved by Vietnam under a new regulation requiring countries to receive approval prior to exporting to Vietnam. This approval protects ongoing market access for products such as soybeans, barley, wheat, cherries, and apples – worth approximately \$56.2 million in 2011.

Success Story:

Sharing Knowledge Helps Maintain Access



The Canadian International Grains Institute (Cigi) provides technical expertise, support, applied research, and customized training to Canada's grain growers, processors, and users and to customers around the world. In March 2012, the Government and the Canadian Grain Commission (CGC) joined with Cigi to present the Latin American Grain Quality Seminar. Participants included government and industry officials from Colombia, Peru, Costa Rica, Honduras, Argentina, Chile, and Mexico, who spent a few days in Winnipeg learning about Canada's grain quality assurance system, inspection procedures, and the export certification process.

The seminar emphasized how government and industry work together to deliver Canada's world-class food safety system. Participants learned about the scope and rigor of the grain quality assurance systems provided by the CFIA and CGC, while site visits and guest speakers demonstrated the commitment of the Canadian grain producers and processors to ensuring the quality and safety of their grains, pulses, and oilseeds.

Building understanding of Canada's world class food safety and inspection system helps ensure uninterrupted trade access for Canadian producers. "Cleaning processes, grading policies, and certification practices are some of the key concerns for importers," explained Rick Morgan, Manager, Business Development, Cigi. "But when they learn about the Canadian grains industry and our high-level of quality controls and inspection, grading, and handling processes, they have greater confidence in Canadian grain products. And that lessens the potential for market access issues."

CONCLUSION

During the period that this report covers (April 2011 through June 2012), the Government of Canada succeeded in re-opening, maintaining, and expanding market access for a broad range of plant, animal and food products. Key achievements included restoring access for Canadian beef UTM to South Korea, which industry estimates could reach \$30 million in sales by 2015; maintaining access for Canadian canola to China, a market worth \$1.6 billion in 2011; and a WTO ruling against the U.S. Country-of-Origin Labelling requirement that is resulting in losses of hundreds of millions of dollars for Canadian cattle and hog producers. In addition, progress was made on issues related to plant biotechnology, phytosanitary standards, low level presence, and organic equivalency.

Resolving market access issues is a lengthy, iterative, and resource-intensive process. It requires sustained technical, political, and diplomatic efforts – as well as the ability to swiftly react to emerging issues and to work collaboratively to achieve solutions. The coordinated, interdepartmental approach of the Government of Canada brings together this expertise and provides a focused strategy and actions to support the competitiveness of Canadian agricultural and agri-food products, profitability for the sector, and continued growth.

Moving forward, the Government of Canada will continue to work with industry and the provinces and territories to identify key markets with the greatest potential. It will work proactively to avoid trade disruptions, tackle unresolved market access issues, continue negotiations on free trade agreements, and advance sales of Canadian agricultural and agri-food products on the international stage. The Government of Canada's priorities and strategies will look to seize emerging opportunities, leverage market intelligence, and manage issues and challenges rapidly and effectively.

Through these efforts, Canadian exporters of agricultural products, farmers and food processors will continue to benefit from improved market access around the world.