

# An Exporter's Guide to Canada's Agri-Food Sector

#### **EDC Head Office**

Export Development Canada  
151 O'Connor St.  
Ottawa, Canada  
K1A 1K3

Tel: (613) 598-2500  
Fax: (613) 237-2690

[www.edc.ca](http://www.edc.ca)

#### **EDC Regional Offices in Canada and International Representatives**

Please refer to:

[edc.ca/contact/offices\\_e.htm](http://edc.ca/contact/offices_e.htm)

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# Introduction

Canada has much to offer the world, including the most fundamental necessity of all: nourishment. Our agri-food sector is one of the richest, most diverse and most productive on the planet, and its exports have been a mainstay of our economy for nearly two centuries.

This Guide explores the present state of three important parts of Canada's agri-food export sector: seafood, special crops, and the pork and beef segment of the meat industry. It examines how these sectors fit into the world marketplace, and provides basic information on existing and potential export markets. At the same time, because there's far more information available than will fit into a single publication, the Guide references numerous other resources that can help Canadian producers to prosper in a highly competitive environment.

For many Canadian agri-food producers, having a viable export market is an essential condition for survival: just ask any beef farmer who suffered through the ban on Canadian beef exports during the BSE crisis, or a pulse grower who ships his entire lentil crop to Turkey every year. As world markets evolve, however, we will have to adapt to changing conditions and will need to find new customers to supplement or replace old ones. But as our history shows, we've always been very good at doing this, and we can be confident that we'll do just as well – or even better – in the future.

# The Seafood Sector



Since Europeans first settled in North America, the riches of the sea have underpinned the economies of Canada's coastal regions. Today, the three pillars of our seafood industry – the wild fishery, aquaculture and seafood processing – continue to be vitally important to British Columbia, the Atlantic Provinces and to Canada as a whole.

## 1.1 An International Perspective

World consumption of seafood has doubled since 1973, and this market is now worth well in excess of US\$60 billion a year. Canada is prominent in the global seafood trade, given that we are the world's fourth-largest seafood exporter;<sup>1</sup> in 2006, we shipped \$4.1 billion worth of products to more than 130 countries.<sup>2</sup>

The U.S. remains our biggest customer by far (see Table 1). It also continues to provide us with our best opportunities, as American consumers are becoming more aware of the health benefits of seafood and are more willing to pay a premium for the high-quality products that Canada can supply.

**Table 1: Top 10 importers of Canadian seafood products (in thousands of dollars)<sup>3</sup>**

	2002	2003	2004	2005	2006
<b>United States</b>	3,261,557	3,001,037	2,818,422	2,652,124	2,513,273
<b>Japan</b>	569,706	497,052	500,163	476,713	345,951
<b>China</b>	210,140	256,778	300,010	316,699	275,860
<b>Denmark</b>	103,913	107,705	108,580	103,816	125,672
<b>United Kingdom</b>	74,377	93,075	114,980	105,053	111,388
<b>Hong Kong</b>	56,322	65,216	66,921	70,366	82,156
<b>France</b>	60,044	74,936	63,754	63,123	64,972
<b>Belgium</b>	35,488	38,645	34,144	40,951	48,160
<b>Korea, South</b>	48,165	48,361	47,627	33,940	46,909
<b>Germany</b>	29,034	45,040	47,047	37,380	44,745
<b>TOTAL OF ABOVE COUNTRIES</b>	4,448,746	4,227,845	4,101,648	3,900,165	3,659,086
<b>TOTAL FOR ALL COUNTRIES</b>	4,765,996	4,561,888	4,487,788	4,339,358	4,114,252

Source: Strategis (Trade Data Online)

<sup>1</sup> Fourth after China, Thailand and Norway; occasionally the U.S. edges ahead of us, making us fifth.

<sup>2</sup> All currency figures are in Canadian dollars unless otherwise stated.

<sup>3</sup> These statistics were generated through Trade Data Online using the following NAICS industry codes: 11251 (animal aquaculture); 11411 (fishing); 31171 (seafood product preparation and packaging).

After the U.S., China is one of the biggest opportunities on the horizon. As the Chinese economy grows and its middle class expands, per-capita consumption of seafood will climb, and Canada is well positioned to take advantage of this growth. Other possibilities abound as well: Russia's consumption is increasing dramatically, Japan is a well-established customer, and there are rich possibilities in the EU. Middle-class values in all these countries imply a desire for better health and nutrition, which seafood – and especially Canadian seafood, with its reputation for quality and freshness – can provide. In addition, high-end niche markets, such as those for specialty items like wild salmon, are developing around the world.

Emerging Canadian technologies and expertise will add to these opportunities. Research into packaging and preservation can make the taste of processed seafood almost indistinguishable from fresh. Canadian aquaculture is also developing quickly, with specialists researching the best ways to manage the complex processes involved in fish farming.

## 1.2 How EDC Sees the Sector

The sector's 2006 gross revenues were about \$5 billion, of which \$4.1 billion was generated by export sales. For the past several years, however, factors such as market pressures, foreign competition and the rising value of the Canadian dollar have been eroding the industry's international market share. This is reflected in the downturn of about 5 per cent in exports from 2005 to 2006.

For 2007, EDC forecasts a slight drop in energy costs and a decline of about 5 per cent in value of the Canadian dollar relative to the U.S. dollar. This will help the industry, but lower demand from U.S. and Japanese customers will offset at least some of the improvement. All told, EDC forecasts that Canadian seafood exports will rise only slightly in 2007.

But despite its current low-growth situation and tight margins, the industry has important strengths that will sustain it until better market conditions return. They include the following:

- ▶ Canada has an excellent reputation abroad for the superior quality of its seafood.
- ▶ Our coastal environment supports clean, healthy stocks.
- ▶ Our wild fisheries are sustainable and carefully maintained.
- ▶ There is good R&D support for key areas of the industry, such as aquaculture.
- ▶ Companies have recently been retooling plants and upgrading operations to increase productivity.
- ▶ The sector is adopting new processing technologies that maintain the fresh-caught flavour of Canadian seafood even when it's preserved; this translates into an important competitive edge in the international market.

### Where EDC Fits In

EDC has long recognized the seafood sector's role in providing food and employment for many rural communities, and has been steadfast in its commitment to the industry. In 2005 alone, EDC provided nearly \$700 million in support to the sector through its financing, bonding and accounts-receivable products. EDC is also paying close attention to globalization and its challenges, and to the need for a tighter focus on supply-chain management and foreign direct investment.

## 1.3 Challenges and Solutions for the Seafood Sector

Factors such as market pressures, foreign competition and exchange rates have put the sector under considerable stress during the past several years. Among our current challenges are the following:

### ► Exchange rates

The Canadian dollar's rise in value against the U.S. dollar and the euro is the overriding problem for every company in the sector. In absolute terms, if the cost of Canadian seafood is converted to these currencies, the product becomes dramatically more expensive for its buyers. The strong dollar also accentuates the threat presented by countries like China, which buys unprocessed and semi-processed fish, then processes them in large-scale facilities with very low labour costs.

### ► Sustainability

The sustainability of the wild-capture fishery is a constant preoccupation of both the industry and governments. Monitoring of stocks and of the marine environment, setting time limits on capture seasons, and establishing minimum allowable sizes for species taken, are all contributing to the continued health of the resource. As a result, the fisheries of both coasts are in good condition.

### ► The supply cycle

The “boom-and-bust” cycle of the wild-capture industry has historically been another challenge. Until recently, natural life cycles meant that huge quantities of seafood were harvested in a few weeks, causing sharp price and income fluctuations. Current advances such as improved live-storage methods and better at-sea freezing techniques, however, are mitigating the problem by evening out the supply of fresh seafood and by preserving it in high-quality condition.

### ► Aquaculture

The aquaculture subsector has its own unique challenges. A key issue is that the Department of Fisheries and Oceans (DFO) both regulates it and is expected to play a development role in it; this has caused some difficulties in the DFO's relationship with the industry. A possible solution would be to recognize aquaculture as a farming industry and place it under the jurisdiction of Agriculture and Agri-Food Canada.

### ► Processors

Fish processors face yet another set of difficulties, including labour shortages, lack of access to capital and the difficulties of creating value-added seafood products. Quality maintenance is extremely important because it is now the key market differentiator, and foreign competitors are working hard to preserve the fresh-caught taste that consumers demand.

### ► Foreign competition

Trade barriers are falling all over the world, and the developed countries no longer monopolize the high-quality end of the product spectrum. Chile looms on the horizon as an aquaculture competitor, Thailand processes vast amounts of shrimp and Morocco

is moving into processing. The developed world presents competition as well; Norway has long been farming salmon for the EU market and has tariff advantages over Canada because of its EU membership.

These developments have been a major challenge to the industry's profit margins, and there is only so much the sector can do to encourage higher pricing in the marketplace. As a result, returns have been marginal since 2004, and this has come at a time when the industry needs to make sizeable capital investments if it is to remain competitive.

There are, however, ways we can meet these challenges:

- ▶ Promoting the sector, branding Canadian products more effectively and improving regulatory harmonization will help expand overseas markets.
- ▶ Governments and the industry can collaborate more closely in areas of food safety and traceability.
- ▶ Governments and the industry can increase levels of R&D and investment.
- ▶ Consolidation will strengthen the industry; retailers themselves are already consolidating, and increasingly will be seeking out single sources for the products they buy.

By playing to its very real strengths and capitalizing on these developments, Canada's seafood industry can ensure not only its survival but also its increasing prosperity and competitiveness.

## 1.4 Major Market Opportunities

### 1.4.1 China

The seafood market in China is worth about US\$3.5 billion per year and is expanding rapidly. Its largest supplier is Russia, followed by the United States, North Korea, Canada and Japan. In 2006 the country was Canada's third-largest seafood export market.

Demand outside the large cities is somewhat limited because of the inadequate cold chain beyond the major urban centres. However, the expansion of the Chinese middle class, with its increased income and diversifying tastes, is causing a steady rise in demand for imported, high-quality seafood. Chilled and frozen seafood is increasingly attractive to these consumers as home refrigeration becomes more widespread.

The Chinese market is very large and complex, so exporters should work with local Chinese importers/distributors in specific cities or regions. The strongest demand is in the country's coastal areas, including Shanghai, Fujian, Zhejiang, Guangdong and Hainan, where the higher-income populations are concentrated. The major demand is for high-end, high-quality products including salmon, lobsters, geoduck clams, oysters, and crabs. Salmon may be an especially good bet for Canadian exporters, since there is a very strong appetite for it in China; in fact, China may ultimately become one of the world's largest salmon markets.



### 1.4.2 Denmark

Denmark imports seafood from a number of countries (chiefly Norway) and re-exports fresh or processed products to other EU countries. Despite its small size, the country is the EU's largest seafood exporter.

Of Canada's \$126 million in seafood exports to Denmark in 2006, fully 90 per cent was frozen or preserved shrimp and prawns. There is no salmon aquaculture in Denmark; the country obtains the bulk of its farmed salmon from Norway. However, the market for processed and ready-to-eat salmon is expanding, and there is an increased awareness of the health benefits of eating fish.

Most of Denmark's salmon imports go to the commercial processing industry, which leaves little for the consumer market. This suggests that there is a consumer market for high-quality, high-end products, such as Canadian wild salmon, that could be sold through retail outlets.

### 1.4.3 Hong Kong

Hong Kong was Canada's sixth-largest seafood export market in 2006, and its consumers tend to be highly interested in new and different types of seafood. In fact, seafood products that are rarely consumed in Canada may find enthusiastic buyers in Hong Kong; some examples are eel, salmon heads and sea cucumbers. There is also a market for less exotic seafood such as crabs, mussels, oysters and frozen chum salmon. Snow crab and king crab are particularly popular in restaurants specializing in Japanese cuisine.

Hong Kong also serves as a pipeline into China, and a large proportion of Canada's seafood exports to China travel by this route. The Hong Kong seafood market is extremely competitive, with many countries and companies vying for market share. Carefully chosen niche markets and products are the prerequisites for success, and Canadian seafood firms should be very sure that they meet these conditions before they try to compete with already-established businesses. Since distribution channels are complicated, it's crucial for a Canadian exporter to partner with a local importer/distributor.

### 1.4.4 Japan

Japan's domestic seafood production has been decreasing in recent years because of the decline of local fish stocks. The market itself has softened because consumers are purchasing less seafood than they used to, partly because of a diversification of diet and partly because of concerns about seafood safety. Even so, Japan remains the world's largest importer of these products.

Japanese consumers demand high-quality seafood, with salmon being a particular favourite. The country also imports processed and unprocessed shrimp, trout, crab, processed eels and cod. Most seafood is sold through large supermarkets, which buy in high volumes and are very demanding in terms of quantity, quality, price and delivery.

### 1.4.5 Russia

Russia imported nearly US\$1 billion in seafood in 2005. Norway remains the country's chief supplier of seafood, but other countries are increasing their market share. Canada's is still relatively modest at \$43.7 million in 2006, but this represents an astonishing 11-fold increase over the market share we had in 2002.

Consumption of, and demand for, seafood have been rising quickly in Russia, a trend that is likely to continue because of changes in food preferences and rising consumer income in major urban areas, especially Moscow and St. Petersburg. Retailers and restaurants in these centres stock the same variety of products that are to be found in the EU, including herring, mackerel, salmon, squid, prawns, mussels and oysters. The ready-to-eat market is doing especially well, with the consumption of shrimp, crabs, scallops, squid, and mussels growing at an average 30 per cent per year.

Expansion of export markets beyond major Russian cities can be problematic because of the inadequate cold chain and the less-than-ideal sanitary conditions that prevail in much of the country. There are also tariffs of 20 per cent on seafood imports, as well as a non-tariff barrier that stipulates an unnecessarily brief time between the production date of the seafood and the time of sale.

### 1.4.6 Taiwan

Taiwan's rising consumer income, together with its population's taste for seafood and its interest in Western products, make it a promising niche market for Canadian seafood exporters. The island is also close to mainland China, so it's a convenient base for companies wanting to do business with Chinese importers.

The annual Taiwanese demand for seafood is estimated at about US\$3 billion. Local sources still meet about 80 percent of demand but production is dropping, and this has opened up niches for foreign products. Taiwanese prefer fresh seafood to preserved or frozen, but demand for the latter is rising as the island's demographics and living patterns change. Even so, frozen seafood must meet an extremely high standard if it is to find buyers – a standard that Canadian exporters are well equipped to meet.

In consequence, Canadian companies may find solid sales opportunities for a range of frozen and processed seafood, as well as for fresh, chilled salmon. It is also worth looking into niche markets for unique products, such as frozen cooked crab or lobster, for the hotel and restaurant market.

It is best to enter the Taiwanese market through distributors or wholesalers. Importing seafood into Taiwan is relatively straightforward, but using local agents and customs brokers will help ensure a trouble-free market entry.

### 1.4.7 United Kingdom

With more than 60 million consumers, the United Kingdom is an excellent seafood market. Imports account for well over half the seafood consumed, making the U.K. a net importer in this sector. Canada is the U.K.'s major source of fresh, chilled and frozen lobster, and we are also among its largest suppliers of prepared fish, caviar, crustaceans and molluscs.

Canadian firms offering unique, high-end products can do well in this market. Many U.K. importers and grocery retailers are looking for quality and speciality products aimed at consumers who want distinctive foods. British Columbia producers, for example, are canning boneless, skinless wild salmon for the U.K. market, where it is finding enthusiastic buyers. The entire canned fish market, in fact, is a prime target for Canadian exporters.

There is also a growing demand for frozen, prepared seafood meals and for specialty seafood products such as smoked trout, fresh tuna and sea bass. Canadian exporters can also take advantage of opportunities to enter the U.K.'s processed-seafood market by supplying value-added ingredients to local manufacturers.

### 1.4.8 United States

The United States is Canada's largest seafood customer, with 2006 imports of \$2.5 billion for the sector. Forecasts from the Department of Foreign Affairs and International Trade indicate that consumption is expected to increase 20 per cent by 2025. There are many opportunities for exporters of salmon, crab, lobster and oysters, and for value-added products such as prepared meals, single-portion meals and pre-seasoned fresh and frozen fish.

The U.S. seafood market is very fragmented, with hundreds of brokers, importers, wholesalers and distributors operating across the country. It's best to approach it by identifying, then concentrating on, the most promising regional or even local markets.

Once this market research is complete, the next thing to do is contact the Canadian Consulate that covers the desired U.S. region, and seek advice from the Consulate's Canadian Trade Commissioner Service (CTCS) office. These CTCS offices have an excellent knowledge of the regional markets they serve, and can help with market intelligence, business contacts, information about trade shows and exhibitions, and much more. To locate the CTCS office that serves a particular market, refer to the CTCS web site at [www.infoexport.gc.ca](http://www.infoexport.gc.ca).

## 1.5 Support for the Seafood Sector

### 1.5.1 Government initiatives

- ▶ The Canadian Agriculture and Food International (CAFI) Program targets sectoral- and commodity-based organizations in the Canadian agriculture, agri-food, and seafood sectors. It is designed to help the agri-food industry improve its access to global markets and to strengthen the sector's capacity to market its products abroad. For more information, refer to [www.agr.gc.ca/int/cafi-picaa](http://www.agr.gc.ca/int/cafi-picaa).
- ▶ The "Branding Canada" program is designed to use Canada's strong international image to increase the sales and profile of Canadian food and agricultural products, and is available to those who have a role in producing, promoting or supporting these products. Branding Canada resources, including graphical tools and research for general and specific markets, are available through the program. For more information, refer to [www.ats.agr.gc.ca/brandingcanada](http://www.ats.agr.gc.ca/brandingcanada).
- ▶ Various levels of government provide a wide range of other support to the agri-food sector. To find out more about them, visit Agriculture and Agri-Food Canada's home page at [www.agr.gc.ca](http://www.agr.gc.ca) and follow the link labelled "Programs and Services."

## 1.5.2 Sector-Specific Resources for Seafood Exporters

There are numerous sources of assistance that can be of particular relevance to firms in the seafood sector. These include sector-specific organizations, industry associations and trade events.

### Information sources for the seafood sector

- ▶ Agri-Food Canada Trade Service [www.ats.agr.gc.ca](http://www.ats.agr.gc.ca)
- ▶ Aquaculture [www.dfo-mpo.gc.ca/aquaculture](http://www.dfo-mpo.gc.ca/aquaculture)
- ▶ BC Salmon Marketing Council [www.bcsalmon.ca](http://www.bcsalmon.ca)
- ▶ BC Seafood Alliance [www.bcseafoodalliance.com](http://www.bcseafoodalliance.com)
- ▶ Canadian Aquaculture Industry Alliance [www.aquaculture.ca](http://www.aquaculture.ca)
- ▶ Canadian Food Inspection Agency [www.inspection.gc.ca](http://www.inspection.gc.ca)
- ▶ Fish and Seafood Online [www.seafoodcanada.gc.ca](http://www.seafoodcanada.gc.ca)
- ▶ Fisheries and Oceans Canada [www.dfo-mpo.gc.ca](http://www.dfo-mpo.gc.ca)
- ▶ National Seafood Sector Council [www.nssc.ca](http://www.nssc.ca)

### Trade events for the seafood sector

- ▶ China Fisheries & Seafood Expo [www.chinaseafoodexpo.com](http://www.chinaseafoodexpo.com)
- ▶ European Seafood Exposition [www.euroseafood.com](http://www.euroseafood.com)
- ▶ Fish Africa/Aquaculture Africa 2007 [www.fishafrica.net](http://www.fishafrica.net)
- ▶ Fish and Seafood Online: Events Calendar [www.seafoodcanada.gc.ca/events-e.htm](http://www.seafoodcanada.gc.ca/events-e.htm)
- ▶ Fishing 07 [www.fishingexpo.co.uk](http://www.fishingexpo.co.uk)
- ▶ North Atlantic Seafood Trade Show [www.eventseye.com/fairs/trade\\_fair\\_event\\_8948.html](http://www.eventseye.com/fairs/trade_fair_event_8948.html)
- ▶ Seafood Russia [www.seafood-russia.ru](http://www.seafood-russia.ru)

# The Special Crops Sector



Canada is a major exporter of special crops, which include pulses (chick peas, dry beans, dry peas and lentils) as well as buckwheat, canary seed, mustard seed and sunflower seed. We ship about 70 per cent of our total production abroad, with large tonnages going to India, Spain, the United States and China. The sector is highly export-dependent, with as many as 30,000 Canadian farmers depending on the international special-crops market for much of their livelihoods.

## 2.1 An International Perspective

The annual value of Canada's special crop exports has increased by 400 per cent since 1991, and we are now among the world's top five pulse and special-crops exporters. In 2006, according to Statistics Canada, our total exports were worth almost \$1.2 billion, of which slightly more than \$1 billion was pulses (see Table 2).

	2002	2003	2004	2005	2006
<b>Pulse exports</b>	737,624	743,078	837,283	997,706	1,012,337
<b>Non-pulse exports</b>	252,370	228,047	174,259	146,695	162,366
<b>TOTAL</b>	989,994	971,125	1,011,542	1,144,401	1,174,703

*Source: Strategis (Trade Data Online)*

Canada is very prominent in the international pulse trade, supplying almost half of the world's dry peas and almost 40 per cent of the world's lentils; in fact, we are the world's largest exporter of these two pulses. Export values of beans and chickpeas are also significant (see Table 3).

	2002	2003	2004	2005	2006
Peas	264,235	285,541	375,368	490,004	468,751
Lentils	179,647	212,224	205,152	274,081	273,458
Chickpeas	67,750	40,347	41,954	37,131	62,486
Beans	225,992	204,966	214,809	196,490	207,642
<b>TOTAL</b>	<b>737,624</b>	<b>743,078</b>	<b>837,283</b>	<b>997,706</b>	<b>1,012,337</b>

Source: Strategis (Trade Data Online)

Canada is also a major player in non-pulse special crops (see Table 4). We account for most of the world's exports of canary seed, shipping about 75 per cent of our production abroad. We're the planet's fourth-largest exporter of buckwheat, although our market share has dropped considerably since China began exporting it. We regularly hold 60 per cent of the global market in mustard seed, which makes us the world's largest exporter of this commodity. Finally, although Canadian production of oil sunflower seed is relatively low, we are a major world producer of the confectionery varieties and export around 70 per cent of our total sunflower seed production every year.

	2002	2003	2004	2005	2006
Mustard Seed	82,986	72,717	65,448	62,638	62,681
Canary Seed	117,102	100,738	69,522	62,265	65,357
Sunflower Seed	49,533	51,292	37,147	19,760	32,676
Buckwheat	2,750	3,300	2,142	2,031	1,652
<b>TOTAL</b>	<b>252,371</b>	<b>228,047</b>	<b>174,259</b>	<b>146,694</b>	<b>162,366</b>

Source: Strategis (Trade Data Online)

## 2.2 How EDC Sees the Sector

The globalization of markets has created many new opportunities for special crops exporters during the past 15 years, especially in emerging markets (see Table 5). This is an important development, since these commodities are typically not consumed in Canada and domestic opportunities are therefore limited.

**Table 5. Top 10 importers of Canadian special crops (in thousands of dollars)**

	2002	2003	2004	2005	2006
<b>India</b>	123,630	123,418	107,834	169,973	150,364
<b>United States</b>	193,878	171,509	154,409	130,159	120,106
<b>Spain</b>	27,091	65,644	103,184	154,870	102,320
<b>China</b>	20,027	7,124	14,821	51,850	59,242
<b>Bangladesh</b>	29,928	49,097	33,906	18,898	56,188
<b>United Kingdom</b>	51,850	48,018	45,495	45,888	54,234
<b>Pakistan</b>	13,501	10,644	20,293	27,880	52,120
<b>United Arab Emirates</b>	5,888	7,602	8,933	16,552	42,724
<b>Belgium</b>	59,103	44,422	47,307	35,769	41,802
<b>Mexico</b>	46,346	36,279	28,921	30,815	39,555
<b>TOTAL OF ABOVE COUNTRIES</b>	571,242	563,757	565,103	682,654	718,655
<b>TOTAL FOR ALL COUNTRIES</b>	989,994	971,125	1,011,542	1,144,401	1,174,703

Source: Strategis (Trade Data Online)

Canada is well positioned to take advantage of these opportunities, as world demand for these crops will continue to grow at a healthy rate. This is especially true for pulses, for several reasons:

- ▶ We can grow high-quality pulses at relatively low cost, both because our climate favours these crops and because our farmers use modern technology on reasonably priced farmland.
- ▶ In many places in the developing world, the population is growing faster than local agriculture's capacity to feed it.
- ▶ Changes in climatic conditions are eroding agricultural production capacity in several parts of the world.
- ▶ Rising awareness of the health benefits of pulses and of some special crops, such as buckwheat and sunflower seed, is driving increased consumption, especially in the developed nations.

## 2.3 Challenges and Solutions for the Special Crops Sector

The outlook for the sector is generally good; several challenges exist, however, including the following:

### ▶ Research and development

Canada has a strong R&D base in agricultural science, agricultural technology and plant genetics. However, we are not sustaining the level of R&D that originally produced these benefits. At the same time, several of our competitors – notably the U.S. – are vigorously expanding their investments in agricultural research. This development may eventually threaten our present position in special crops exports. In response, growers have been increasing their R&D investments, but more needs to be done by both the private and the public sectors.

▶ **Trade barriers**

One of our serious challenges is the potential loss of market access that will result from our competitors and customers arranging exclusionary bilateral trade agreements among themselves. The number of such arrangements is proliferating, which means that negotiating our own agreements is essential to maintaining our competitiveness.

Another challenge is the increasing use of non-tariff trade barriers, often under the guise of human health, plant health or environmental concerns. Not all these barriers are well-founded, and Canada needs to address them in order to sustain our market access.

▶ **Logistics**

Ocean freight and transportation logistics can present a major challenge. The regions that produce Canada's special crops are farther from the oceans than are those of most other exporting nations. This causes logistical problems that have given us a reputation as a sometimes-unreliable supplier. Solutions for improving the supply chain will have to include end-to-end coordination of transport operations, expanded port infrastructures, a focus on adequate capacity and throughput, and major improvements to our land transport systems.

▶ **Consumption**

North America's per-capita consumption of special crops is among the world's lowest, which represents an enormous untapped market. One strategy for changing this situation is to establish, through careful research, that there are tangible health benefits to consuming these foods, and to communicate these benefits to the public. This awareness will eventually extend to other affluent countries that are suffering from the food-related health problems currently affecting North Americans.

▶ **Quality versus quantity**

One of Canada's strengths is the branding and recognition of its products as being safe, clean and nutritious, and the markets that are most interested in these qualities tend to be the premium-priced ones. This is a market edge that we should exploit as energetically as possible, since high-volume, low-premium markets like India may not always provide the best return on investment.

▶ **Exchange rates**

The rising value of the Canadian dollar against that of the U.S. dollar has been quite unfavourable for our growers, with every per cent of this increase taking about one per cent out of the producer's bottom line. Although the value of the Canadian dollar may ease slightly in future, it will probably remain high enough to maintain the downward pressure on margins.

▶ **Input costs**

Fertilizer prices have recently shot up by some 50 per cent, and fuel prices remain high as well. This situation will persist into the near future at least. Both producers and processors will need to find ways of cutting these input costs. Growing pulses and legumes may actually help to lower input costs, however, because these plants can provide nitrogen for their own use, thus partially protecting growers from increases in the cost of manufacturing and transporting nitrogen fertilizers.



► **Non-payment risks**

With steadily increasing global competition producing a more difficult market environment, the risks of non-payment by foreign buyers is on the rise. EDC, however, can help mitigate these risks; for more information, refer to page 27, “How EDC Supports Canada’s Exporters.”

## 2.4 Major Market Opportunities

The following countries represent a range of good opportunities for Canada’s special-crops exporters.

### 2.4.1 Algeria

Algeria has consistently been one of Canada’s biggest customers for lentils, importing more than \$20 million worth annually in four of the past five years. Dry peas came second at \$1.6 million.

The Algerian agri-food market, once a government monopoly, has been open to competition for about 10 years and is developing rapidly. Canada’s main competition in Algeria is from EU countries, especially France and Italy; however, non-EU countries like Argentina and Poland have recently been achieving some market penetration.

### 2.4.2 China

Dry peas are by far China’s largest special-crop import from Canada, at \$59.1 million in 2006, with lentils and chickpeas a very distant second and third. Peas, in fact, have for several years been China’s largest pulse import from Canada, since they can substitute for mung beans as the main ingredient in Chinese vermicelli and other types of widely consumed noodles.

Most imported dry peas go to food processors in the city of Yantai, in northern China’s Shandong Province. The increased consumption of such foodstuffs means that pea imports will probably continue to rise, especially in coastal regions where imported peas tend to be cheaper than the domestic product. The Chinese also consider Canadian yellow peas to be of better quality than locally produced peas.

### 2.4.3 India

India is Canada’s largest single customer for special crops, and buys almost exclusively pulses. In 2006, our top three exports to the country were peas (\$134.4 million), lentils (\$8.6 million) and chickpeas (\$5.9 million). Small amounts of mustard seed made up the balance, although demand for Canadian mustard in India is very price-sensitive and varies from year to year. Canadian mustard producers are also facing increased pressure from low-cost sources of the commodity, such as Ukraine.

India is a very competitive market, in which price is more important than quality. It is also a buyer’s market, since several new sources of peas and other pulses have emerged; among Canada’s competitors are the U.S., Australia and China. Most pulses, both imported and domestic, travel to retailers via wholesale pulse markets in Delhi, Mumbai, Kolkata and Chennai. These markets are not price-regulated, and the presence of more than 200 wholesalers means that the market at this level is very fragmented.

No government licenses are required for pulse imports, although the government does control domestic prices by adjusting import duties, which are generally around 10 per cent. All shipments must be accompanied by a phytosanitary certificate declaring that the goods comply with Indian standards.

While price is their major criterion, Indian buyers do expect consistent quality from their Canadian suppliers. Canadian exporters should also be prepared to spend time in India and meet face-to-face with their buyers. This is because Indian business connections are built on personal relationships in ways that are often unfamiliar to Canadians, and establishing such relationships are vitally important for success in this marketplace.

#### 2.4.4 Mexico

Canada supplies almost all of Mexico's lentil imports, with the balance coming from the United States; in 2006, we shipped \$11.3 million worth of the commodity to Mexican buyers. Canary seed, however, is our largest single special-crop export to the country, with a value of \$17.9 million in 2006. Dry peas, sunflower seeds and kidney beans make up most of the remainder of our shipments.

Under NAFTA, most Canadian pulses and special crops have duty-free access to the Mexican market. Canadian dry beans are still subject to a Tariff Rate Quota, but this is to be eliminated in 2008. When the quota is removed, Mexico is likely to become Canada's largest bean market.

Mexico City's "Central de Abastos," one of the largest wholesale markets in the world, is the country's main special crop distribution centre. It is the business focus for 6,000 wholesalers who sell about 22,000 tonnes of agri-food products every day. According to DFAIT, the majority of sales of special crops, especially of beans, are negotiated in the Central de Abastos.

#### 2.4.5 Pakistan

Canada's special-crops exports to Pakistan have been limited to chickpeas, dry peas and lentils; in 2006, these were worth \$9.7 million, \$26.7 million and \$15.7 million respectively. Pakistan has a strong agricultural sector, but food production is nevertheless being strained by the country's rapidly increasing population; this will require higher volumes of imported food. Canadian growers and producers may therefore find expanding markets for their current types of exports and, possibly, new markets for other special crops.

#### 2.4.6 Spain

Pulses make up the bulk of Spain's imports from Canada. In 2006, Spanish buyers purchased \$73.6 million in feed peas, \$12.6 million in lentils, \$5.6 million in chickpeas and \$5.1 million in canary seed. The balance was in kidney beans, mustard seed, and sunflower seed.

Domestic Spanish production cannot meet the demand for peas, chickpeas and lentils, so Spain will continue to be a fruitful market for Canadian pulse exporters. Product quality is a selling point in the Spanish market because of concerns about health and food safety, and Canada's reputation for high food standards can provide a competitive edge in this area.

Prospects are good for the export of confectionery sunflower seed to Spain (as well as to other European countries). This is because Spain's entry into the EU encouraged its farmers to grow oil sunflower seed rather than confectionery sunflower seed, since the relevant European subsidy is specific to oilseeds. In addition, the U.S. suppliers who were formerly the second-largest exporters of confectionery seed to Spain have also been switching to oilseed varieties.

Processed pulse products, especially canned products, together with raw pulses that can be used in Spain's food-processing industry, offer further potential to Canadian exporters. Private-label products are another good opportunity, since Spanish retailers are looking for new or unique products that can set them apart from their competition.

End-user demand for identity preservation (IP) to ensure specific quality characteristics is also expected to grow in the Spanish market. IP systems ensure the traceability of products from the end user back to the producer through the documentation of each step of production, handling and processing.

#### 2.4.7 United States

While the United States and Canada compete vigorously in several of the world's special-crops markets, the U.S. is nevertheless a customer for Canada in some of these commodities. In 2006, the U.S. imported more than \$71 million in Canadian pulses, of which \$12.8 million were peas, \$3.5 million were lentils, \$3.2 million were chickpeas and the remainder, beans.

The largest single special crop the U.S. buys from Canada is mustard seed, with 2006 imports worth \$27.5 million, or about 40 per cent of our total mustard-seed production. In the same year, we also exported \$16.2 million in sunflower seed and \$4.3 million in canary seed to the U.S.

Because the U.S. is much too large to be considered a single marketplace, it's best to approach it by determining where there are regional markets for a specific commodity. In 2006, for example:

- ▶ More than 75 per cent of our mustard seed exports went to the mid-continental states of Minnesota, Missouri, North Dakota, Wisconsin and Montana.
- ▶ More than half of our sunflower seed exports went to North Dakota alone; runners-up were Minnesota, Vermont and Texas.
- ▶ Almost half our kidney bean exports went to the northeastern U.S., specifically Pennsylvania, Maine and New York.

Once an exporter has determined the region with the most promising opportunities, the next step is to contact the Canadian Consulate that covers the desired U.S. region and seek advice from the Consulate's Canadian Trade Commissioner Service (CTCS) office. These CTCS offices have an excellent knowledge of the regional markets they serve, and can help with market intelligence, business contacts, information about trade shows and exhibitions, and much more. To locate the CTCS office that serves a particular market, refer to the CTCS web site at [www.infoexport.gc.ca](http://www.infoexport.gc.ca).

## 2.5 Support for the Special Crops Sector

### 2.5.1 Government initiatives

As mentioned in the Seafood section of this guide, the Canadian Agriculture and Food International (CAFI) Program and the “Branding Canada” program are designed to help the agri-food industry improve its access to global markets. For more detailed information, please refer to page 9.

Various levels of government provide a wide range of support to the agri-food sector. To find out more about them, visit Agriculture and Agri-Food Canada’s home page at [www.agr.gc.ca](http://www.agr.gc.ca) and follow the link labelled “Programs and Services.”

### 2.5.2 Sector-Specific Resources for Special Crops Exporters

There are several sources of assistance of particular relevance to exporters of special crops. These include sector-specific organizations, industry associations and trade events.

#### Information sources for the special crops sector

- ▶ Agriculture and Agri-Food Canada: Agri-Food Trade Service [www.ats.agr.gc.ca](http://www.ats.agr.gc.ca)
- ▶ Agriculture and Agri-Food Canada: Market Analysis [www.agr.gc.ca/mad-dam](http://www.agr.gc.ca/mad-dam)
- ▶ Agriculture and Agri-Food Canada: Special Crops [www.agr.gc.ca/misb/spec](http://www.agr.gc.ca/misb/spec)
- ▶ Canadian Special Crops Association [www.specialcrops.mb.ca](http://www.specialcrops.mb.ca)
- ▶ Pulse Canada [www.pulsecanada.com](http://www.pulsecanada.com)

#### Trade events for the special crops sector

For a comprehensive list of these events, including Canadian missions to importing countries, please visit the Events page of Agriculture and Agri-Food Canada’s Agri-Food Trade Service at <http://ats-sea.agr.gc.ca/events/events-e.htm>.

# The Beef and Pork Sector



Canada is a major world supplier of beef and pork, shipping fresh, chilled and frozen products to dozens of countries around the world. Together, beef and pork earned almost \$4 billion for Canadian exporters in 2006.

## 3.1 An International Perspective

Canada is one of the world's largest beef exporters, selling \$1.3 billion worth of the product worldwide in 2006. Of this, 82 per cent went to the United States; Mexico, very definitely in second place, was at 10.4 per cent (see Table 6).

**Table 6. Top ten importers of Canadian beef (in thousands of dollars)**

	2002	2003	2004	2005	2006
<b>United States</b>	1,813,325	1,244,175	1,579,764	1,583,197	1,098,797
<b>Mexico</b>	199,510	103,646	299,509	185,249	139,314
<b>Hong Kong</b>	2,872	725	790	44,172	33,666
<b>Macau<sup>4</sup></b>	0	226	24,145	20,604	22,060
<b>Japan</b>	81,062	48,278	0	72	19,168
<b>France</b>	4,223	5,257	5,402	6,295	5,844
<b>Germany</b>	265	777	1,518	2,732	3,078
<b>Cuba</b>	3,117	1,397	78	1,187	2,110
<b>Surinam</b>	1,006	1,274	1,975	2,033	2,057
<b>Netherlands</b>	71	416	225	507	1,227
<b>TOTAL OF ABOVE COUNTRIES</b>	2,105,451	1,406,171	1,913,406	1,846,048	1,327,321
<b>TOTAL FOR ALL COUNTRIES</b>	2,202,390	1,460,304	1,931,566	1,860,994	1,337,728

Source: *Strategis (Trade Data Online)*

<sup>4</sup> Macau was a Portuguese colony until 1999, when it became one of China's two Special Administrative Regions (SARs). It has since become an important gateway for imports to both China and Hong Kong, which is China's other SAR.

Canadian beef-processing capacity has increased to about 5 million head per year, and by the end of 2007 we will be able to process all domestically raised beef cattle. We will be able to maintain this capacity, however, only if our processors can use their facilities to the fullest. One essential for achieving this is the normalization of our beef export trade in the key Asian markets of Taiwan, South Korea and China; these, of course, have been severely affected by Canada's problems with bovine spongiform encephalopathy (BSE), which fortunately began to diminish during 2005.

In 2006 we were the world's third-largest exporter of pork, after the EU and the United States, with total shipments worth \$2.5 billion. The U.S. and Japan between them accounted for most of our 2006 pork exports, taking 40.9 per cent and 29.7 per cent respectively. Russia was a very distant third with 5.8 per cent, but this represents a startling growth of almost 400 per cent over its average yearly imports of Canadian pork from 2002 to 2005 (see Table 7).

**Table 7. Top ten importers of Canadian pork (in thousands of dollars)**

	2002	2003	2004	2005	2006
<b>United States</b>	1,213,412	1,285,427	1,368,466	1,190,813	1,034,566
<b>Japan</b>	639,902	684,606	776,112	1,014,825	752,724
<b>Russia</b>	43,246	24,728	32,389	46,907	146,335
<b>Korea, South</b>	36,482	25,068	42,802	100,002	132,898
<b>Australia</b>	71,691	91,821	116,087	125,922	120,146
<b>Romania</b>	1,116	3,390	18,705	56,924	72,634
<b>Mexico</b>	44,577	67,507	99,063	86,092	66,180
<b>China</b>	14,505	20,645	38,660	50,797	44,256
<b>New Zealand</b>	18,781	17,932	18,784	21,894	23,084
<b>Taiwan</b>	12,649	23,684	30,425	28,074	16,560
<b>TOTAL OF ABOVE COUNTRIES</b>	2,096,361	2,244,808	2,541,493	2,722,250	2,409,383
<b>TOTAL FOR ALL COUNTRIES</b>	2,179,714	2,340,240	2,650,531	2,833,368	2,528,853

Source: Strategis (Trade Data Online)

Canada has natural advantages that account for our ability to export pork to a large number of markets. We're a major grain producer, which allows us to be a relatively low-cost producer of high-quality pork; equally important, in a world where consumers are increasingly concerned with food safety, we have an excellent reputation for animal health. This gives us preferred access to many countries and has allowed Canadian pork exporters to diversify their markets: in 2000, we exported pork to 88 countries, but by 2006 this had increased to more than 100. As one result of this diversification, we have substantially reduced our dependence on the U.S. market.

## 3.2 How EDC Sees the Sector

The BSE-related ban on Canadian live-cattle exports to the United States was lifted in mid-2005, allowing producers to ship cattle under 30 months of age across the border. Exports to the U.S. have since begun to return to more normal levels, but recovery from

the BSE crisis is far from complete. In 2002, prior to the BSE crisis, Canada exported \$1.8 billion worth of beef to the U.S., but the total for 2006 barely exceeded \$1 billion – a mere 60 per cent of the former value.

Regaining our key beef markets is proving to be a very slow process, but meeting the requirements of international health regulators is the only way we can achieve this. Health protocols are being added to ensure the safety of Canadian beef exports and restore the confidence of our former customers, but this is taking time and the added costs are cutting into already-slim margins.

Canadian pork prices have fallen as an indirect result of the avian-flu scares in Asia and Europe, which have reduced the demand for chicken. This decline has in turn created a chicken surplus in the U.S., causing prices to fall, which has led consumers to switch from pork to lower-priced chicken. As a result, pork supplies in both the U.S. and Canada have outpaced demand, causing further downward pressure on pork prices. Moreover, U.S. consumers are now turning away from the high-protein meat diets that have been popular for the past few years, and this trend may very well continue.

### 3.3 Challenges and Solutions for the Beef and Pork Sector

#### ▶ Exchange rates

The rise in the value of the Canadian dollar is hurting both the beef and the pork industries. The pork industry expanded rapidly when the dollar was at US\$0.65, but adapting to its higher value has been painful, with many packers and producers operating at a loss since 2005. The lower American dollar also has made U.S. meat exports cheaper, enhancing U.S. competitiveness at Canada's expense. There are few proactive solutions the meat industry can undertake to deal with this problem, except to find ways of cutting costs. The Canadian dollar is forecast to soften a little in the near term, but the effect, although positive, will be small.

#### ▶ Labour shortages

Finding enough skilled workers is becoming a major problem for Canada's beef and pork industries. This is a particular issue in our western regions, as the very high wages offered by the Alberta oil and gas sector are drying up labour resources across the whole economic spectrum.

#### ▶ Tariff barriers

International trade barriers remain a problem for beef and pork producers. For the pork sector, access to several countries in Europe, Asia and Latin America is hindered by high tariffs and restrictive tariff rate quotas. The EU's pork import policies are being extended to new members of the EU, restricting our access to such previously significant markets as Poland, Hungary and Romania. The beef industry is also subject to these barriers, as well as to BSE-related sanitary measures.

During the last few years, moreover, competitors like Mexico, Chile and the U.S. have successfully pursued free trade agreements in Asia and Latin America. Canada has instead invested the bulk of its efforts in the WTO trade talks. The Canadian pork industry is now at disadvantage in several countries, and has asked the Canadian government to pursue bilateral discussions with these countries to obtain, at the very least, the same treatment as its competitors.

It is important to the Canadian pork industry that WTO trade talks resume so we can address the restrictive import tariffs and quotas that exist in some potentially important markets, such as the EU, and to reform trade-distorting import regimes such as Japan's. We need to complete these negotiations as soon as possible in order to decrease current tariffs and increase tariff-rate quotas in certain key markets.

▶ **Non-tariff barriers**

Non-tariff barriers are also a problem; some countries are now trying to control beef and pork imports through measures such as import permits, licensing requirements and sanitary measures. Too many market-access restrictions related to animal health and food safety, however, are not in alignment with the guidelines and directives established by the International Office of Epizootics and the Codex Alimentarius Commission, and are being implemented not as a result of a true risk analysis but rather as non-tariff barriers. This type of barrier is already a major challenge and the problem is likely to become worse. The federal government can help in this area by making sure that the Canadian Food Inspection Agency and other government bodies have the resources they need to fight these market-access issues.

▶ **Diseases**

Diseases, as the BSE disaster has shown all too clearly, can have a swift and devastating impact on the meat sector, and can shut a country out of a foreign market almost overnight. We must, therefore, remain extremely vigilant in this area and ensure that our currently excellent animal-health status is not placed in jeopardy.

▶ **Special issues for Canadian beef producers**

Canadian beef processors can often realize only 90 per cent of an animal's potential value, while an American processor can realize 100 per cent. With this economic edge, the U.S. processor can afford to buy the animal out from under the Canadian packer. This undermines the Canadian company's ability to compete for live cattle, and in turn means that our processing plants operate at reduced capacity. To prevent this from happening, we need to increase value realization for the meat-packing sector.

Moreover, the drastic shrinkage of our Asian beef markets due to BSE means that Canadian packers have lost considerable leverage when negotiating with American buyers. Our packers are thus faced with two options: sell at a discount or reduce production. It's therefore absolutely vital for Canada to move quickly to re-establish normal relationships with our key Asian beef markets.

## 3.4 Major Market Opportunities: Beef

### 3.4.1 United States

The U.S. has always been Canada's largest beef market. Now that the BSE crisis is ebbing, it is likely not only to resume its former import levels but even to exceed them. As mentioned elsewhere, the U.S. is a very large market and should be approached



from a regional perspective: its three largest beef markets are the Mideast Region,<sup>5</sup> the Far West Region<sup>6</sup> and the Southeast Region.<sup>7</sup> The biggest importing states within these regions have historically been New York, California and Florida respectively.

Consumer concerns about health and food safety are driving the demand for a small but rapidly growing niche market for “natural beef.” There is no standard U.S. government definition of “natural beef,” but there is a widely respected non-government certification body, Food Alliance ([www.foodalliance.org](http://www.foodalliance.org)), that certifies beef as such. In essence, beef is “natural” if it contains no hormones or antibiotics, is grass fed, and has been produced in an environmentally responsible manner with due consideration for the animal’s welfare. “Natural” beef currently constitutes only 1 per cent of the U.S. beef market, but its market share has been growing at around 20 per cent per year for several years.

### 3.4.2 Mexico

Mexico’s domestic cattle herd is declining and the country’s beef production can’t meet the domestic demand. Mexico is now Canada’s largest export market for beef outside the United States, and the country is now accepting boneless and most bone-in beef from Canadian animals less than 30 months old.

Retailers, hotels and restaurants are the major beef buyers in Mexico. Of these, the retail sector is the most important distributor and consists of large retail chains and convenience stores. It accounts for 60 to 70 per cent of all retail beef sales in the country.

A considerable proportion of the remaining sales are to high-end hotel chains, which buy primarily from specialized hospitality-supply companies, from packers and from wholesale markets. The remaining beef sales are to restaurants and restaurant chains; the latter tend to select suppliers by means of a bidding arrangement. Local distributors and importers are indispensable for Canadian suppliers seeking market entry, as it is much easier for a local firm to deal with Mexico’s complicated and time-consuming import regulations, import procedures and documentation requirements.

### 3.4.3 Japan

Canadian beef exports regained access to the Japanese market in December 2005, after being shut out of it because of the BSE crisis; these exports (at the time of writing) were limited to meat from cattle less than 21 months old.

Australia attempted to fill the supply gap during the ban, but was unable to provide enough of the grain-fed special cuts that the Japanese market demands. By contrast, Canada’s ability to supply high-quality, grain-fed beef to retail and food-service clients’ specifications means that we have an excellent chance of recapturing our former share of this market.

Another development in our favour is that the size of Japan’s beef herd is continuing to shrink, with a resulting drop in domestic production. This trend is likely to continue, causing a gradual but steady rise in the demand for imported beef over the next few years.

<sup>5</sup> Delaware, District of Columbia, Maryland, Pennsylvania, New Jersey, New York.

<sup>6</sup> Alaska, California, Hawaii, Nevada, Oregon, Washington.

<sup>7</sup> Alabama, Arkansas, the Carolinas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Tennessee, Virginia, West Virginia.

### 3.4.4 China

Chinese consumer demand for beef is increasing rapidly as the middle class expands, disposable incomes rise and tastes in food become more varied. Meeting this demand domestically is impeded by the scarcity of breeding animals and by a lack of skilled people to work in the breeding and animal-husbandry sector. However, the fundamental barrier to expanding the domestic beef supply is that productive agricultural land is extremely valuable in China, and committing large acreages to raising cattle is very expensive for Chinese producers.

The prospects for Canadian beef exports are therefore attractive, especially since Chinese attitudes to meat imports are changing. Formerly, consumers preferred fresh beef; now, however, they are becoming accustomed to frozen imported beef, especially since this is often of higher quality than the fresh domestic product.

## 3.5 Major Market Opportunities: Pork

### 3.5.1 Australia

Australians don't eat a lot of pork, but the domestic pork industry is trying to persuade them to consume more of it. Unfortunately for this undertaking, Australian production has been hamstrung by increased costs resulting from the country's persistent drought, which has sharply increased feed prices. Consequently, according to Australian industry figures, pork production has dropped by 7 per cent since 2002 while imports have risen by 52 per cent. Australia is also exporting pork to Singapore and Japan, further aggravating the shortfall in domestic supplies. This is likely to increase the demand for imports even further.

Canadian exporters should be aware that pork imports to Australia are often seasonal, with the highest demand between September and December. Australian suppliers have been seeking partnerships with companies in the international pork supply chain, which can provide strategic opportunities for Canadian exporters.

### 3.5.2 China

China is the world's biggest producer of pork and raises about 50 per cent of the world's pigs. Its pork sector, however, is oriented almost purely to domestic consumption – the country is almost self-sufficient in pork – and its exports are negligible in comparison to production. Most of China's pork imports, which account for about one per cent of the country's total domestic consumption, are in the form of frozen boneless pork.

China has been investing in hog slaughter and pork processing facilities, but most of its pigs are still produced in very small family operations that are often no more than a rural backyard. This causes numerous problems related to quality, disease control, genetic improvement, meat safety and marketing. Much Chinese pork, as a result, comes from fatty and overweight pigs and falls short of Canadian standards. This presents great potential for Canada's pork producers, since we are in a good position to supply the high end of the Chinese market with pork that is superior in quality to the domestic product.

### 3.5.3 Japan

The number of hog farmers in Japan is decreasing and domestic pork production is falling. The BSE-related ban on imported North American beef, together with the poultry import ban resulting from fears of the avian flu, caused a major surge in demand for pork in 2005, but consumption is likely to fall as beef and chicken imports return to former levels.

Even so, Canadian pork exports are well placed to continue their penetration of the Japanese market, which is our second largest after the United States. Especially promising are exports of chilled, vacuum-packed pork; this product has a very high value because of its long shelf life, and now accounts for a large percentage of our total pork exports to Japan.

### 3.5.4 Mexico

According to Agriculture and Agri-Food Canada, Mexican per capita pork consumption remains low but is rising, with the market for ham and ham cuts increasing by a factor of five since 2001. As is the case with beef, working with Mexican distributors and importers is indispensable for Canadian pork exporters seeking an entry into the Mexican market.

### 3.5.5 Russia

Russia's total pork imports have risen significantly during the past five years, and Canada's exports to the country have risen with them, from \$43.2 million in 2002 to \$146.3 million in 2006.

Russian demand for high-quality pork will increase as disposable income increases, especially in the urban areas, and as meat consumption rises in general. Consumers at the higher end of the market will be looking for a wider variety of cuts, and this market segment is one that Canadian packers are well equipped to exploit. Technological improvements in the Russian cold chain from slaughter to the retail and food services sector will also help increase demand. At the same time, Canadian pork producers will face stiff competition in the Russian market from suppliers in the EU and Brazil.

### 3.5.6 South Korea

Korean pork consumption has increased in recent years because of concerns about BSE and avian flu. This increase has been to Canada's benefit, helping to make us South Korea's second-largest supplier of imported pork. Imports are forecast to remain high because Korean domestic pork production has been hampered by outbreaks of swine diseases and by tighter environmental regulations. The Canadian chilled, vacuum-packed pork that is increasingly popular in Japan is an excellent export prospect for Korea as well.

Canadian firms wishing to operate in South Korea should establish a strong presence in the country; appointing an agent or establishing a branch office is recommended. Korea has removed most non-tariff barriers, but there can be some difficulty with frequently changing food standards and regulations.

### 3.5.7 United States

The United States remains our biggest pork market, absorbing about 40 per cent of our annual exports. As mentioned earlier, however, we are considerably less dependent on the U.S. than formerly; in 2000, 55 per cent of our pork exports went there, but in 2005 the figure had dropped to 42 per cent.

As with beef, some regions are more fruitful for exporters than others. The top three pork-importing areas in the U.S. in 2005 were the Mideast Region,<sup>8</sup> the Great Lakes Region<sup>9</sup> and the Far West Region.<sup>10</sup> The top importing states within these regions have been (respectively) New York, Illinois and California.

## 3

## 3.6 Support for the Beef and Pork Sector

### 3.6.1 Government initiatives

As mentioned in the Seafood section of this guide, the Canadian Agriculture and Food International (CAFI) Program and the “Branding Canada” program are designed to help the agri-food industry improve its access to global markets. For more detailed information, please refer to page 9.

Various levels of government provide a wide range of support to the agri-food sector. To find out more about them, please visit Agriculture and Agri-Food Canada’s home page at [www.agr.gc.ca](http://www.agr.gc.ca) and follow the link labelled “Programs and Services.”

### 3.6.2 Sector-Specific Resources for Beef and Pork Exporters

There are numerous sources of assistance that can be of particular relevance to beef and pork exporters. These include sector-specific organizations, industry associations and trade events.

#### Information sources for the beef and pork sector

- ▶ Agriculture and Agri-Food Canada: Agri-Food Trade Service [www.ats.agr.gc.ca](http://www.ats.agr.gc.ca)
- ▶ Agriculture and Agri-Food Canada: Red Meat [www.agr.gc.ca/redmeat](http://www.agr.gc.ca/redmeat)
- ▶ Canada Beef Export Federation [www.cbef.com](http://www.cbef.com)
- ▶ Canada Pork Council [www.cpc-ccp.com](http://www.cpc-ccp.com)
- ▶ Canada Pork International [www.canadapork.com](http://www.canadapork.com)
- ▶ Canadian Cattlemen’s Association [www.cattle.ca](http://www.cattle.ca)
- ▶ Canadian Food Inspection Agency [www.inspection.gc.ca](http://www.inspection.gc.ca)
- ▶ Canadian Meat Council [www.cmc-cvc.com](http://www.cmc-cvc.com)
- ▶ Canadian Swine Exporters Association [ww.canadianswine.com](http://www.canadianswine.com)
- ▶ CANFAX [www.canfax.ca](http://www.canfax.ca)

<sup>8</sup> Delaware, District of Columbia, Maryland, Pennsylvania, New Jersey, New York.

<sup>9</sup> Illinois, Indiana, Michigan, Ohio, Wisconsin.

<sup>10</sup> Alaska, California, Hawaii, Nevada, Oregon, Washington.

# How EDC Supports Canada's Exporters



Since 1945, EDC has been helping Canadian companies to reduce the financial risks of selling their goods and services outside Canada. For example, if a company is dealing with a new customer and has concerns about the buyer's ability to pay, EDC can insure the sale so the firm will get its money even if the customer defaults.

EDC can also help a company improve its cash flow, because banks consider EDC insurance to be a guarantee of payment. And EDC can help companies obtain bonds, which guarantee to the customer that the specifics of the contract will be met – an assurance that can tip the competitive balance in the company's favour.

## A wide range of financial services

EDC's major services include:

- ▶ Accounts Receivable Insurance to protect the company if a customer can't or won't pay.
- ▶ Contract Frustration Insurance to cover a company's risks on a single contract sale. (Accounts Receivable Insurance covers *all* a company's receivables under *all* contract sales).
- ▶ Performance Security Guarantees to free up the money a company would normally have to put aside to secure a bond with a bank. This could include bid bonds, advance payment bonds and performance bonds.
- ▶ Performance Security Insurance to protect the company if a customer cashes in a bond even when the seller has fulfilled the terms of the contract (this is called a "wrongful call").
- ▶ Political Risk Insurance to protect a company against political or economic upheavals in a market.
- ▶ Financing solutions to help with issues such as pre-shipment and customer financing.

## Cash flow assistance

While EDC doesn't provide direct financing, such as loans, to Canadian companies, it can still help with a company's cash flow. To do this, EDC provides a guarantee to the firm's bank, which gives the bank the confidence it needs to extend more credit to the company. This, in turn, means that the company can take on more business.

### Help with bonding

A bond is a financial guarantee to a company's customer that the company will abide by the terms of the contract. EDC doesn't issue bonds directly to a company, but can work with its bank to arrange guarantees or insurance that will protect it.

Before issuing a bond, the bank will require the firm to provide security by freezing cash in its account. This protects the bank if the company fails to perform and if the customer calls the bond – that is, if the customer demands that the value of the bond be paid out.

EDC helps out here by guaranteeing to the bank that it will be reimbursed if a firm's customer demands that the bond be paid. This frees up the company's cash flow and, if the customer does call the bond, EDC will pay the bank so the company doesn't have to.

### What will it cost?

EDC has several different types of insurance. Which one is best for a particular firm and how much it will cost depends on the company's needs. EDC will need to know about the goods or services the company is exporting, the market it's shipping to and the payment terms the customer is offering. Given this information, EDC can provide an estimate, and then the company can submit an application for an exact quote. A company specifically interested in Accounts Receivable Insurance can apply online at [www.edc.ca/english/insurance\\_accounts\\_receivable.htm](http://www.edc.ca/english/insurance_accounts_receivable.htm).

### Help with finding new markets and buyers

EDC can provide loans to a company's foreign customers to encourage them to buy Canadian goods and services. EDC does this in several ways, two of which are by arranging lines of credit with foreign banks so they can lend money to local businesses, and by setting up direct loans to a Canadian company's customer. For more information, visit the EDC web site at [www.edc.ca/financing](http://www.edc.ca/financing).

EDC has also developed a "how-to" guide called *Discover New Markets*, which outlines the six steps a company needs to take before it starts trying to sell to new markets. Free copies are available at [www.edc.ca/newmarkets](http://www.edc.ca/newmarkets).

### Assistance for specific markets

EDC's decisions on extending help in a particular market depends on the market and what a company wants to do there – some countries and sectors are inherently more risky than others. However, EDC's role is to help Canadian exporters sell their goods and services outside Canada, so if EDC can find a way to make it happen, it will. For more information about these and other questions, call EDC at 1-888-728-9974.

# General Resources for Exporters



No matter what sector a company is in, successfully entering a foreign market requires a great deal of research, preparation and planning. If you're a novice exporter or are thinking about becoming an exporter, the organizations and resources listed below can help you find out what you need to know.

- ▶ **Canada Business** is one of the first places to go for export information. They're a collaborative network of federal (and in some cases provincial) government services that help Canadian entrepreneurs and exporters build their companies. They're at [www.canadabusiness.gc.ca](http://www.canadabusiness.gc.ca) and you can call them at 1-888-576-4444.
- ▶ **The Canadian Trade Commissioner Service (CTCS)** provides services to Canadian businesses in Canada and abroad, including market research studies and country-specific reports. The Virtual Trade Commissioner, also available through the CTCS, is a personalized, web-based resource that will give you market information and leads specific to your business interests. You can register for the Virtual Trade Commissioner when you visit the CTCS web site at [www.infoexport.gc.ca](http://www.infoexport.gc.ca).
- ▶ **Canada's International Market Access Priorities**, available at [www.international.gc.ca/tna-nac/cimap2006-en.asp](http://www.international.gc.ca/tna-nac/cimap2006-en.asp), describes the federal government's priorities for improving Canadian access to foreign markets.
- ▶ **CanadExport**, at [canadexport.gc.ca](http://canadexport.gc.ca), is International Trade Canada's free, online publication. It provides news about trade opportunities, export programs, trade fairs, business missions and more.
- ▶ **Foreign Affairs and International Trade Canada** provides information about foreign affairs, foreign policy, travel information, the Canadian economy and international trade. They're at [www.international.gc.ca](http://www.international.gc.ca).
- ▶ **Industry Canada** is an excellent source of information, offering market reports as well as the Trade Data Online research tool. Refer to [www.strategis.gc.ca](http://www.strategis.gc.ca).
- ▶ **Team Canada Inc (TCI)**, at [exportsource.ca](http://exportsource.ca), is Canada's most comprehensive online source of export-related information and resources; call 1-888-811-1119 to find out more.

- ▶ **Statistics Canada**, at [www.statcan.ca](http://www.statcan.ca), is your chief source for statistics on Canada's population, resources, economy, society and culture.
- ▶ For customs information, check with the Canada Border Services Agency at [www.cbsa-asfc.gc.ca](http://www.cbsa-asfc.gc.ca); for tax-related information, visit the Canada Revenue Agency at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). Team Canada Inc and Canada Business also provide resources to help you in these areas.
- ▶ **The U.S. Commercial Service**, at [www.trade.gov/cs](http://www.trade.gov/cs), has a range of research tools, including market reports and commercial guides related to world markets.





[www.edc.ca](http://www.edc.ca)