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## Inside The Export Marketplace

The Canada Beef Export Federation operates offices in the key export markets of Japan, South Korea, Taiwan, Hong Kong, Mainland China and Mexico. In this series of export market intelligence reports, the Federation is keeping the Canadian industry informed about current situations and new developments in these markets.

### **JAPAN 'S ECONOMY DOWN; OIL PRICES UP**

Just as Japan's economy is setting a record low, the average price of gasoline hit a new high. According to figures released by the Cabinet Office, Japan saw its position in the world economy fall further in 2006 as its share of global gross domestic product (GDP) dropped to 9.1%. The previous low of 9.8% was recorded in both 1980 and 1982. The current GDP fall was largely attributed to the yen's depreciation.

According to the Oil Information Centre, the average retail price of regular gasoline hit a new high of C\$1.41 per litre in December 2007. The average retail price of kerosene also reached a record C\$15.80 per 18-litre container. The prices of gasoline and other petroleum products have been on the rise due to higher crude oil prices.

### **Market Access Update**

Japan is open to boneless and bone-in beef and offal derived from cattle under 21 months of age. Although the current market access restrictions are severely limiting, significant increases in Canadian beef exports to Japan were produced in 2007: during the first half of the year, Canada's exports to Japan were up about 50%.

At this time, ten Canadian plants have been approved for export to Japan. The Canadian industry is very hopeful that Japan will ease its import restrictions. USA-Japan negotiations to expand trade to all edible beef products (boneless, bone-in and offal) derived cattle under 30 months of age (U30M) moved ahead significantly during the summer of 2007. This process was expected to result in an expansion of trade sometime between February 2008 and August 2008, but the process was stopped when the USA changed its position and began calling for an "All or Nothing" deal removing the age restriction on cattle.

It appears there is a new consensus within the Canadian industry, calling upon the Government of Canada to negotiate a new access protocol in Japan allowing for the trade of all beef products derive from cattle under the age of 30 months. Industry views this agreement to be a productive step toward eventual trade normalization based on OIE guidelines.

### **YEAR OF CHANGES IN KOREA'S BEEF SECTORS**

The year 2008 will see some changes related to South Korea's beef sectors, both domestic and import.

As a result of a revision of the Food Hygiene Law, in 2008 Korea's Ministry of Agriculture and Forest (MAF) will expand application of its country-of-origin labelling requirement for beef served at restaurants. From being applicable in restaurants which measure 300-square metres and up, the law will now apply to restaurants measuring 100-square metres and up.

2008 will also see Korea implement a mandatory, nation-wide cattle and beef tracking system. The new system was mandated by Korea's National Assembly in November 2007. It utilizes a bar code system and will include the following data: time and place of birth of animals; transfers and sales; butchering; and general movement of meat through the distribution chain. Cattle farms, packing firms and retailers that fail to keep up-to-date information will be subject to fines and other administrative actions.

### **Market Access Update**

There has been no change since our last update. South Korea remains closed to Canadian beef. Canada has officially finished the fifth of the eight stages of Korea's Risk Assessment Review in support of reestablishing trade in all edible beef products derived from under-30-months (U30M) cattle. The US is part way through stage six, establishing terms of trade; however negotiations broke down early in October 2007 when the US began demanding an "All of Nothing" deal. Korean authorities had fast tracked the American process, leaving Canada behind in September 2007. Korean officials had also indicated that access would be expanded to the USA prior to reestablishing trade with Canada. Canadian negotiations have recently improved and the first round of negotiations have been complete in stage six.

In early January, it was announced that the Korea-USA negotiations will continue as both governments explore possible solutions to the current trade impasse. Both Canada and the USA have linked comprehensive access for beef to a successful outcome for both countries' Free Trade Negotiations with Korea.

The Canada Beef Export Federation has urged the Government of Canada to pursue access for all beef products derived from animals under 30 months of age in Korea. Achieving this agreement would be viewed as a productive step toward normalization of trade.

### **NEW TAIWAN RESTAURANT DEDICATED TO CANADIAN BEEF**

On January 25, 2008, a ribbon-cutting ceremony heralded the official launch of a new specialty restaurant in Taipei. Owned by Taiwan's largest beef importer, the Shuh Sen group, the 'Maple Barbecue and Hot Pot Restaurant' is dedicated exclusively to serving Canadian beef. The restaurant unofficially opened its doors in December 2007 with the arrival of the first container of Canadian beef products. Two additional containers per week will continue to keep the restaurant supplied into June 2008 and beyond.

The Maple Restaurant's menu of high quality, grain-fed Canadian beef has proven popular with Taiwanese consumers: 30,000 patrons have been served in the first two months of operation. The Shuh Sen group is now looking for a location to open a second Maple Restaurant.

### **Market Access Update**

There have been no new developments since our last update. Taiwan reestablished trade in Canadian beef June 23, 2007, granting access for Canadian boneless beef derived from cattle under 30 months of age (U30M). This access has been granted on a system-wide basis, meaning all federally-inspected Canadian beef processing establishments are eligible for export to Taiwan. Canada wrote a letter requesting OIE-consistent market access in October 2007. There is no specific process underway to expand access, but Taiwanese officials have indicated that Canada and the USA could be treated the same in the future as access expands to bone-in and offal products and eventually to over-30-months product as well.

### **TREND TO ORGANIC BEEF IN HONG KONG**

The latest food trend in Hong Kong is to organic and natural food products – the popularity of which is seeing importers travel in search of products. Beef is part of the new demand, and Hong Kong's high-end supermarkets are all selling organic beef, mostly from Australia. With strong competition for high-quality middle cuts (especially chilled products), the strategy of Hong Kong's importers is to obtain exclusive distribution agreements with suppliers. While Australian beef is currently dominating the organic beef sector, Japanese Wagyu beef continues to be considered the highest-quality organic beef. In January, Japan's Ministry of Agriculture, Forestry and Fisheries (MAF) launched a new logo for Japanese Wagyu beef aimed at the Hong Kong market. The high-profile advertising campaign, intended to differentiate Japanese Wagyu beef from Australian, had a wide reach – from the baggage claim area at the Hong Kong International Airport to buses, newspapers, radio and television.

### **Market Access Update**

There have been no developments since our last updates.

In **Mainland China**, little progress has been made in negotiating a Canada-China protocol. The USA has been offered boneless under-30-months access, which it has refused. The China market has changed significantly since 2003, experiencing significant wealth accumulation in major urban centres. All major Hong Kong-based food importers, processors and distributors have established Chinese business plans and in most cases have build logistics and sales infrastructure.

**Macau** has normalized trade from Canada, accepting all edible beef products derive from all ages of Canadian cattle processed in all federally-inspected establishments. Twenty-five establishments have been registered to export boneless beef derived from animals less than 30 months of age to Hong Kong. Sales of high-quality grain-fed Canadian beef in these markets has been significantly developed, and the response from end-users and consumers towards to Canadian beef is favourable

**Hong Kong** officials asked both Canada and the US to participate in a process designed to expand trade from under-30-months (U30M) boneless beef to include bone-in beef. Canada accepted this offer and hosted Hong Kong inspectors to a very short inspection visit in the summer of 2007. The US rejected this offer, again requiring that an "All of Nothing" deal be negotiated. Hong Kong authorities have completed all steps required to expand Canadian access. Canadian officials visited Hong Kong in November 2007 in order to encourage this market expansion and to request that access for U30M offal also be granted.

## **MEXICO'S LARGEST HOTEL CHAIN UNDERTAKING 57-HOTEL EXPANSION PROJECT**

Mexico's largest hotel chain, Grupo Posadas, is investing C\$370 million over the next year-and-a-half in a project that will eventually add 57 new hotels to the chain's holdings. Grupo Posadas expects to open almost one new hotel a month for a total of eleven hotels in 2008 alone; nine of these will be located in Mexico, one in Brazil; and one in Argentina. The new-concept, five-star hotels, named AQUA, will target high-income domestic travellers as well as tourists from Europe and North America.

Mexico's five-star resort hotels represent a ready market for high quality Canadian beef. This latest expansion of the sector is expected to increase demand in this lucrative market niche.

### **Market Access Update**

On February 25, 2008, Mexico announced that it will now allow the import of breeding cattle in addition to Canada's current access for beef and beef products. Canada currently has access to the Mexican market for boneless beef, bone-in beef and offal products derived from cattle under 30 months of age, and, as of December 7, 2007, beef feet.

Original optimism that Mexico would automatically expand access to include over-30-month beef products following the implementation of Rule 2 in the USA (November 2007) has proven to be unfounded. Mexican cattle producer organizations, and certain beef processing interests are delivering a strong lobby to delay expansion of access. It should be noted that the Government of Mexico has imposed an informal moratorium on expanding access in agriculture products since March 2007. All protocols and individual establishment approvals have been frozen since that time.

### **Other Markets – Barbados**

On February 25, 2008, the Government of Barbados announced that revised conditions for export of breeding cattle to Barbados have been accepted. Access for Barbados now includes the full range of Canadian beef products and all breeding cattle.