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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.

### **GREAT TASTE OF CANADIAN BEEF MAKING SALES IN JAPAN**

The great taste of Canadian beef continues to sell itself. This was perhaps best exemplified at Japan's FOODEX Show, held March 11<sup>th</sup> to 14<sup>th</sup> in Makuhari, Japan, where close to 92 kilograms of Canadian beef was served in taste samples to over 3,000 visitors to the Canada Beef Export Federation booth. According to the Federation's Japan office, the word used most frequently to describe the taste of Canadian beef was 'delicious'.

Taste samples also play a major role in supermarket promotions, undertaken by CBEF Japan throughout the year. One such promotion was recently completed with the Japanese supermarket chain Inageya, which operates 128 outlets in the southern Kanto region. During March and April, the chain held Canadian beef promotions in eight of their outlets, with CBEF Japan providing in-store taste testing of Canadian sirloin and chuck rib. If the results of the trial promotions are successful, the chain will feature Canadian beef at all their outlets. According to the CBEF Japan office, all indications are positive.

### **Market Access Status**

There have been no new market access developments since our last report.

*Japan is open to boneless and bone-in beef and offal derived from cattle under 21 months of age. At this time, ten Canadian plants have been approved for export to Japan. Current market access restrictions are severely limiting, and the Canadian industry has struggled to accumulate a year-round supply of age-verified animals.*

### **HIGH FOOD PRICES HURTING KOREA'S RESTAURANT SECTOR**

With high food prices becoming an issue in South Korea, President Lee recently withdrew his first economic growth policy and announced his new plan to put more emphasis on price controls. The plan, which aims to control prices through the expansion of supply of such agricultural products as radishes, cabbage, beef, pork and milk, is being criticized by food distributors in particular and the mass media in general; the consensus is that the production of agricultural products cannot be dramatically increased, particularly in a short period of time.

The high food prices are impacting Korea's restaurant sector, which is already experiencing difficulties due to decreasing sales, rising salaries, and increasing rent and other operational costs. According to the April 2008 issue of Monthly Restaurant Report, olive oil and cheese have increased by 30 percent and wheat flour by 50 to 100 percent, adding three to nine percent to the cost of dining out. With industry experts predicting the trend will continue for the next ten years, the food service industry is seeking a long-term solution to the problem.

### **Market Access Update**

*South Korea currently remains closed to Canadian beef. 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), Canada has officially finished Stage 5 of 8 (the decision to resume beef imports from Canada) and completed the first round of negotiations of Stage 6 of 8 (health protocol negotiations).*

On April 18<sup>th</sup>, Korea and the US reached agreement on a revised import health protocol (Stage 6 of 8) and subsequently announced that Korea has normalized trade in American beef with SRM policies based on OIE recommendations. On April 22<sup>nd</sup>, the Korean Government published the health protocol in its Gazette and gave notification of a 20-day comment period (Stage 7 of 8), ending May 13<sup>th</sup>. The Korean and US Governments will confirm USDA export certificates (Stage 8 of 8), with American beef re-entering the Korea market on or shortly after May 15<sup>th</sup>.

Immediately following Korea's decision to normalize trade for US beef, the Government of Canada requested unrestricted access to South Korea's beef market. Korea's Ministry for Food, Agriculture, Forestry and Fisheries informed the Government of Canada that Canadian beef access would be addressed separately and later than American beef access and that working-level discussions are underway to set the time and place for negotiations for Stages 6, 7 and 8 of the eight-stage process.

The Federation's Korea office advises that on May 2<sup>nd</sup>, thousands of Korean people staged a rally against US beef, and on May 3<sup>rd</sup>, it was reported that a Korean farmer committed suicide due to frustration over the falling cattle price resulting from the potential reentry of US beef into Korea. On that same day, it was also reported that a patient died of sporadic CJD in Korea. The Korean mass media is very keen on reporting these events. It appears those who oppose the Korea-US Free Trade Agreement and President Lee's policy are politicizing the BSE issue to garner support from the general public.

Korea's Minister of Agriculture appeared on national television in order to comfort Korean consumers by stating that American beef is safe to eat. Further, unnamed Korean Government sources also indicated that Korean consumers should not be concerned about BSE cases in Canada as no negotiations were yet underway to resume trade in Canadian beef.

### **CANADIAN BEEF ON PREMIERE TAIWAN HOTEL MENU**

The gap between rich and poor continues to grow in Taiwan. Equally increasing is the popularity of restaurants which cater to each side of the socio-economic divide. In a country with a population of close to 23 million people, both the low-priced food services such as roadside hot pot and barbecue stands and the high-priced, five-star hotel restaurants and steak houses are doing a brisk business.

Five-star dining is a natural fit for high quality Canadian beef. Following the success of the Maple Barbecue and Hot Pot Restaurant, which opened in Taipei in December 2007 and which exclusively serves Canadian beef, the Federation's Taiwan office has continued its focus of placing Canadian beef on the menus of white-tablecloth restaurants and steak houses. One such promotion currently underway is being held in conjunction with the Landis Taichung Hotel, one of Taipei's premiere luxury hotels. For a period of one year, the menu of the Landis Hotel will feature a Canadian beef or veal dish on its menu. The Federation is supporting the promotion with a multi-media advertising campaign as well as promotional materials in the restaurant. CBEF Taiwan reports that feedback from Landis Hotel customers has been excellent.

### **Market Access Status**

There have been no new market access developments since our last update.

*Taiwan reestablished trade in Canadian beef June 23, 2007, granting access for Canadian boneless beef derived from U30M cattle. 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 (O30M) product as well.*

### **CONSUMER SPENDING REACHES ALL-TIME HIGH IN CHINA**

China continues to set world records in consumer consumption. Most recently, it has become the world's largest market for mobile phones, domestic travel and broad band services; the second-largest market for gold and motor vehicles; and the third-largest market for luxury goods and medical care.

Retail sales grew to their highest level in eleven years during the January to February 2008 period, up 20.2 percent over the same period in 2007. While part of the increase is due to inflation, retail growth in real terms is estimated to be 12.6 percent – an increase directly attributed to consumer spending. The government has undertaken a number of measures in recent years to increase incomes, cut taxes and subsidize low-income earners in order to boost consumption, and the success of those measures is now evident.

China also leads the world in domestic travel, with hotel room revenues and restaurant receipts in the January/February 2008 period reaching \$37 billion, up 23 percent over the same period last year.

### **Market Access Status**

A visit of Canada's Minister of Agriculture to Beijing, China, tentatively scheduled to take place in March, was postponed. Otherwise, there have been no new developments in the following market access reports.

**Mainland China** *remains closed to Canadian beef. A political solution is required.*

**Macau** *has normalized trade from Canada, accepting all edible beef products derive from all ages of Canadian cattle processed in all federally-inspected establishments. Sales of high-quality grain-fed Canadian beef with a special focus on high-quality bone-in products have been significantly developed, with some demand for O30M as well.*

**Hong Kong** *is open to U30M boneless beef. Hong Kong authorities have completed all steps required to expand Canadian access to include U30M bone-in beef. Canadian officials visited Hong Kong in late 2007 in order to encourage immediate market expansion to include U30M bone-in beef and offal and to request that access for O30M beef products be considered. Twenty-five establishments have been approved by Hong Kong authorities. Political intervention may be needed to expand access for Canadian beef products prior to the US.*

### **HIGH FEED COSTS IMPACTING MEXICO'S CATTLE FEEDERS, PRODUCERS**

Approximately 400 cattle feeders have ceased operations, leaving an estimated 310 feedlots still in business. According to the Mexican Association of Cattle Feeders (AMEG), the situation could result in a 30 to 40 percent drop in Mexico's domestic beef production. AMEG blames the situation on the continued increases in grain and corn prices. A lack of financial support from government as well as a weak agricultural products import and purchasing program have also had a tremendous impact on the problem. The price of corn has more than doubled production costs for the cattle feeders in recent months. Ranchers, too, are feeling the effects and have reigned in their operations with many planning not to maintain their herds. In 2007, Mexico produced 1.6 million tonnes of beef. The expected 40 percent drop in production would bring that figure down to 1 million tonnes.

### **Market Access Update**

*On February 25, 2008, Mexico announced that it will allow the import of all breeding cattle (beef and dairy) in addition to Canada's access for boneless beef, bone-in beef and offal products derived from U30M cattle. The Canadian Government has indicated that further efforts are about to be made to expand access to include O30M beef products as well.*

On March 27, 2008, Canada, Mexico and the United States reached a trilateral agreement that would allow for the export of Canadian and U.S. breeding cattle to Mexico consistent with international standards. This agreement is also an important step in resolving issues related to the shipment of Canadian cattle through the U.S. to Mexico, as it allows provides Canada and the US the same access to Mexico's cattle breeding market.

*Ted Haney, President, CANADA BEEF*