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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 reports, the Federation is keeping the Canadian industry informed about current situations and new developments in these markets.

Current Canadian Beef Exports

In the first four months in 2009, total exports of Canadian beef to world markets were up 1.5% over the same period last year. This increase was primarily due to the 3,000-tonne increases in both the US and Russia. Exports to key markets in Asia and Mexico, however, decreased 20% – reflecting the effect of the global economic crisis on these markets. The exception is Taiwan, which is showing signs of economic recovery; Canadian beef exports to Taiwan rose 94% for this period.

The rise in exports of Canadian beef to Russia is a result of several factors: enhanced Canadian Government pursuit of market access, increased interest of the Federation's Export Members in this market; and increased market development activities undertaken by the Federation. We will be bringing you more news about developments in the Russian market in upcoming issues of *Inside the Export Marketplace*.

JAPANESE RESORT CHAIN FEATURING CANADIAN BEEF ALL SUMMER LONG

Laforet is a prestigious resort chain in mainland Japan consisting of four golf courses, ten resort hotels – such as the Laforet Yamanakako located 80 km west of Tokyo where members can enjoy natural hot springs and a view of Mount Fuji – and two city hotels. The chain operates on a membership basis, with most of the members being major Japanese corporations which make the resort hotels available to their employees and their families. This summer, those resort guests are also getting a taste of Canadian beef. From July 1st to August 31st, Laforet is celebrating the 80th anniversary of its annual Japan-Canada Friendship event by holding a Canadian Fair at all its resort and city hotels. During the summer holiday season, the chain is serving roasts and barbecue-style steaks prepared with Canadian beef to all its guests. To promote the summer-long event, the chain has been distributing 850,000 brochures – providing Canadian beef with yet wider exposure.

Market Access Status

Canadian beef exports to Japan in 2008 totalled 5,400 tonnes (\$31 million). In the first five months of 2009, Japanese imports of Canadian beef totalled 1,504 tonnes (\$11 million), up 26% over the same period last year. (Note: Canadian statistics are under-reporting Japan exports.)

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. Stand-alone beef processors (who do not also own a beef slaughter establishment) have asked to be approved for export. Canada is waiting for Japan to expand access to include all under-30-month (U30M) beef.

COUNTRY-OF-ORIGIN LABELLING IMPACTING KOREAN BEEF IMPORTS

The uncertain situation of Korea's beef importers is not showing any sign of improving soon. As negative consumer perceptions continue to affect retail sales of US beef, in the food service sector Korea's country-of-origin labelling requirement for meat served in restaurants is causing additional problems for importers of US, Mexico and New Zealand beef. Restaurant operators are highly reluctant to put US beef on the menu, fearing it could affect the image of their restaurants. They are less enthusiastic than before to purchase New Zealand beef, as they can not count on a regular supply due to its limited availability in Korea. And they are now reluctant to purchase Mexican beef due to its poorer country image resulting from the H1N1 outbreak. The situation leaves little room for Korea's beef importers to manoeuvre.

Market Access Status

Canadian beef exports peaked at 21,000 tonnes (\$99 million) in 2000. The market has remained closed to all Canadian beef and veal products since May 2003.

In February 2009, Canada requested Korea to establish a firm process and time line to resume commercially meaningful trade in Canadian beef by the end of March 2009. In March 2009, Korea indicated a willingness to resume technical negotiations by late June 2009, without a firm time line for the resumption of trade. On April 9, 2009, the Government of Canada requested consultations with the Republic of Korea (Korea) pursuant to Articles 1 and 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, Article XXII of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and Article 11 of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), concerning measures affecting the importation of bovine meat and meat products from Canada. The Federation encourages the Governments of Canada and Korea to continue negotiations with the goal of resuming trade in all edible beef and veal products derived from cattle less than thirty months of age (U30M). Should that not be achieved, the Federation fully endorses the continued pursuit of Canada's beef and veal trade rights within the WTO Dispute Settlement process.

POTENTIAL EXPANSION OF SHENZHEN SPECIAL ECONOMIC ZONE COULD LEAD TO BIGGER THINGS FOR HONG KONG

The city of Shenzhen lies immediately north of Hong Kong in Mainland China's southern Guangdong province. Under Mainland China's economic liberalization, the area became China's first and most successful Special Economic Zone – or area of more liberal economic laws structured to increase foreign direct investment.

Shenzhen today is one of the fastest growing cities in the world and the second-biggest port in China after Shanghai. Now the Shenzhen Government has drawn up a blueprint to expand the Special Economic Zone to five times its current size. If approved, Shenzhen will represent a sizeable market of liberalized trade. More, with Hong Kong and Shenzhen already closely connected in terms of geographic location and economic activities, it could lead to a future merger of the two regions, providing an even greater gateway to the tremendous Mainland China market.

Market Access Status – Hong Kong & Macau

Canadian beef exports to Hong Kong and Macau in 2008 totalled 17,700 tonnes (\$73 million). In the first three months of 2009, exports totalled 4,047 tonnes (\$17 million), down 23% for the same period last year.

Hong Kong first opened to U30M Canadian boneless beef in November 2004. Twenty-five establishments have been approved by Hong Kong authorities.

On January 16, 2009, Canada reached an agreement in-principle with Hong Kong to expand access for Canadian beef in a staged process. The first stage gives Canada access for U30M bone-in beef products (excluding vertebral column). The second stage, which our two governments are currently implementing, provides access for over-30-month (O30M) boneless beef and all offal. The third and final stage will give access for the remainder of U30M bone-in beef. All that will remain to negotiate is access for O30M bone-in beef.

Macau normalized trade in Canadian beef in February 2004, accepting all edible beef products derive from all ages of Canadian cattle processed in all federally-inspected establishments.

Market Access Status – Mainland China

Little progress has been made in negotiating a Canada-China protocol. However, the political engagement needed to move our market access agenda forward in this market is coming with increased Ministerial engagement.

TAIWAN IMPROVING RELATIONS WITH MAINLAND CHINA

Under the administration of Taiwan's new President Ma, Taiwan has been exploring ways to enhance co-operation and reduce tensions with Mainland China. There are signs of progress, such as the 7% increase in tourism to Taiwan, largely from Mainland China, and the attendance of Taiwan's Health Minister at the World Health Assembly held earlier this year in Geneva, Switzerland – the first time a Taiwanese representative has been admitted to an event hosted by a UN-affiliated agency since the Republic of China lost its UN membership in 1971.

Significant progress has been made in improving bilateral and economic and trade relations. Earlier this year, the Taiwan Government adopted a policy to ease up on the restriction on Chinese investments in Taiwan. The government has adopted a gradual

approach of incrementally reducing the restrictions in specified investment areas, a move that is expected to reverse the current one-way movement of investments from Taiwan to Mainland China. It will take longer, however, for the two to deal with issues involving Taiwan's international and political positions. It should be noted that not all Taiwanese people support these closer ties with Mainland China.

Market Access Status

Canadian beef exports to Taiwan in 2008 totalled 2,882 tonnes (\$13.6 million). In the first four months of 2009, exports totalled 1,838 tonnes (\$7 million), a 90% increase over the same period last year.

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. In June 2008, Taiwan's Department of Health sent a technical team to inspect beef processing establishments. This was done in support of the next market access expansion; bone-in beef derived from U30M cattle and possibly offal derived from U30M cattle. The timing of this market expansion is unknown. Taiwanese officials continue to communicate a preference for delaying market expansion for Canadian beef until well after expanding access for the USA. This is an unacceptable form of discrimination.

MEXICO REFOCUSSES EXPORTS ON THE JAPAN MARKET

In the last two years, it is estimated that Mexico's domestic cattle industry has suffered losses of over \$600 million due to increased grain prices and the global financial crisis. Also contributing is the US country-of-origin regulation, which has seen exports of live cattle from Mexico to the US drop dramatically. In the first four months of 2009, approximately 470,000 head of cattle were exported to the US, with exports for the year expected to reach no more than 1 million head – a significant reduction from the 1.3 million in past peak years. However, according to the Mexican Cattle Feeder Association (AMEG), there is a bright side for Mexican producers. The drop in US demand for Mexican cattle is being compensated for by Japan, which today ranks as the second biggest importer of Mexican beef.

Market Access Status

Canadian beef exports to Mexico in 2008 totalled 46,949 tonnes (\$179 million). In the first three months of 2009, exports totalled 9,390 tonnes (\$38 million), a 21% decrease over the same period last year. Canada has access for all edible U30M beef products in Mexico. Canada and Mexico are working to speed up approvals of additional beef exporting establishments in Canada.

Ted Haney, President, CANADA BEEF