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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.

### **RESTRUCTURING IN JAPAN'S BEEF SECTOR LEADING TO OPPORTUNITIES FOR CANADIAN BEEF**

A number of corporate mergers, sales and acquisitions in Japan's beef import and retail sectors are leading to increased opportunities for Canadian beef sales. The second-largest meat distributor and processor in Japan, Itoham Foods Inc., recently announced it will sell its subsidiary company of Rockdale Beef located in New South Wales due to management issues in its subsidiary. The CBEF Japan office advises that Itoham is committed to improving its beef business and has begun considering the advantages of using Canadian beef as their strategic sales item. Sojitz Foods Corporation, one of Japan's major food trading firms has announced a merger with Agri Co. Ltd., a supplier to the retail sector. Sojitz Foods has been a regular purchaser of Canadian beef since 2007, and the CBEF Japan office is optimistic about the new business opportunities that will be created with the merger. Canadian beef is also experiencing expanded sales with regular clients. Zensho, the largest food service company in Japan, has been selling Canadian beef in its Western and family-style restaurants. The company has now also started to sell Canadian beef in its Korean-style barbecue restaurants. With Zensho just having announced a very profitable 2009 year-end, the CBEF Japan office expects Canadian beef sales to profit from the company's growing business.

The acquisition of new clients for Canadian beef by the Japan office continues to lead recovery efforts in Japan. Of the 66 retail and food promotions held last year by the Japan office, 35 were with new clients. Canadian beef exports to Japan were up 10% in the first three months of 2010.

### **Market Access Status**

*Canada has access for boneless and bone-in beef and offal derived from cattle under 21 months of age (U21M).*

*Minister Gerry Ritz confirmed in May 2009 that the Government of Canada formally requested the Government of Japan early in 2009 to expand access for Canadian beef to include all edible products (boneless, bone-in and offal) derived from cattle less than 30 months of age. The Food Safety Commission (FSC) has yet to call a prion expert panel to initiate its risk assessment process. Many reasons have been offered for why Japan's Ministries of Health and Agriculture and continue to delay forwarding this request. It appears that the Government of Japan intends to delay the FSC risk*

*assessment at least until “Upper House” elections have been held in June 2010. Significant Canadian political engagement is required at every step of this trade normalization process.*

## **AMERICAN BEEF GAINING ACCEPTANCE IN KOREA**

Acceptance for US beef has grown in Korea. While previously US beef was only sold in hypermarkets and butcher shops, it is now also making an appearance in department stores and on hotel restaurant menus. Two years after the massive candlelight protest against US beef in Korea, the US share of the Korea’s beef import market now surpasses 40%.

The high price of US beef, however, is seeing Korean importers actively moving existing inventory. The move, they say, is not reflective of an increasing demand but speculation about future prices in Korea’s wholesale beef market. The main reason for the speculation is the high price being offered by exporters of US and Australian beef – a price level that is making it more difficult to source beef, even from the local wholesale market. While Korea’s outbreak of Foot-and-Mouth Disease (FMD) – which started in January and is now showing signs of spreading across the country – has slowed consumption of domestic beef but has not led to an increase in demand for imported beef.

### **Market Access Update**

*Canada has no access in Korea. Canada is currently challenging Korea in the WTO, which has set up a Dispute Settlement Panel to handle the dispute. At the same time, both countries are keeping the door open to bilateral negotiations. The Federation’s Korea office reports that there was little progress was made toward a negotiated settlement during April and May as the Korean Government was overwhelmed by the issue of the sinking of its naval vessel; the occurrence of FMD; and the political mood surround the upcoming local elections coming up June 2<sup>nd</sup>.*

## **HONG KONG POSITIONED AS REGIONAL LEADER IN COMMERCE, TOURISM**

Hong Kong continues to expand its status as the regional centre of commerce and tourism. In April 2010, the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) was established with the aim of realizing opportunities arising from closer cross-Strait relations with Taiwan. At the same time – and on a corporate level – the Hong Kong-Taiwan Business Co-operation Committee (BCC) was established as a platform to develop closer relationships between Hong Kong’s commercial sector and Taiwan business people in Hong Kong.

Hong Kong is also attracting record numbers of visitors. As of March 25, 2010, the number of accumulated visitors to Hong Kong on a year-to-year basis totalled 8 million, up 16.5 percent from the previous year. These visitors included a record 18.3% from Mainland China. In a move to attract even greater numbers of visitors, the Hong Kong Government is taking advantage of the 2010 Shanghai World Expo, currently running through to October 31<sup>st</sup>, to hold a series of promotions in Shanghai. The promotions invite visitors to World Expo to make Hong Kong their next stop.

Canadian beef will be served at specific events at the Canada Pavilion from June through September. This may be a sign of a greater market opening yet to come.

### **Market Access Status**

*On December 6, 2009, the third and final phase of Canada's incremental access in Hong Kong went into effect, providing access for Canadian beef derived from cattle of all ages. Canada now has normalized trade in Canadian beef in Hong Kong.*

*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.*

*Mainland China remains closed to Canadian beef. In June 2009, China indicated that Canadian tallow (<0.15% insoluble impurities) would soon be approved for importation and that, following this, negotiations could then begin on a beef importation protocol based on incremental access that would not introduce risk of BSE to the market. Significant Canadian political engagement continues to be required.*

### **CHANGING DYNAMICS IN TAIWAN BONE-IN BEEF MARKET**

The import bone-in beef market in Taiwan continues to experience changing dynamics. The unpopularity among consumers of Taiwan granting full market access for US beef in October 2009 led to the US waiting until January 2010 to ship its first load of bone-in beef to that market. Shipments since then – for the first quarter of 2010 – have reached a total of just 308 tonnes as compared to a high of 3,177 tonnes pre-2003. At that time, Taiwan importers found it more profitable to purchase bone-in product and de-bone the meat in Taiwan than to buy boneless beef. Today, the cost of US bone-in beef has been driven up by demand in other markets, and it is no longer a bargain. Instead, Taiwan's beef industry is offering consumers a new category of bone-in short ribs by using grain-fed chuck and combining it with Australian or New Zealand beef bones – with the package being offered as a bone-in short rib product. Grain-fed bone-in beef continues to be in demand by high end restaurants. However, price is the key factor in importers purchasing bone-in beef at pre-2003 quantities. Meanwhile, Taiwan's Consumer Foundation is continuing to collect signatures to hold a referendum to force the government to block bone-in beef from all nations that have reported BSE cases in the past ten years – and to renegotiate the market access for US beef. So far, the foundation has collected just 100,000 signatures of the 860,000 signatures required for the referendum.

### **Market Access Status**

*Canada has access for Canadian boneless beef derived from U30M cattle (excluding offals). In June 2008, Taiwan's Department of Health sent a technical team to inspect beef processing establishments in advance of the next market access expansion; bone-in beef derived from U30M cattle and possibly offal derived from U30M cattle. Canada officially raised beef access restrictions by Taiwan at the March 2010 SPS Committee of the WTO. Taiwan responded that current restrictions (U30M boneless) would remain in place until Taiwan had completed its on-going risk assessment. Just*

*prior to the Committee meeting, Taiwan announced that it would complete the current risk assessment without the need for an additional Canadian inspection mission (a reversal of position). This may have been linked to Canada's bringing the issue to the Committee – and should be considered a success. The abbreviated risk assessment process is expected to take approximately two months to complete, indicating a possible access expansion by June 2010. The risk assessment process has been delayed as Canada has not been able to provide a final report on its latest case (number 17) of BSE.*

## **MEXICO GOVERNMENT INVESTING IN DOMESTIC CATTLE INDUSTRY**

In a marked change from just a few years ago, the Mexican Government is making significant investments and improvements in the country's cattle producing, feeding and processing sectors. In the northern state of Coahuila, construction of a new slaughter and fabrication complex is almost complete; and high quality beef genetics are being imported to improve the domestic herd. In the state of Tamaulipas, \$15 million is being spent to upgrade facilities and, again, enhance beef genetics. Such investments are backing the goals of industry and government to increase production and exports. The northern tier of cattle producing states (Coahuila, Durango and Chihuahua) aims to export at least 5,000 tonnes in 2020. Southern Mexican states will re-commence exports to South Korea, with at least 1,200 tonnes of Mexican beef expected to go to South Korea before the end of 2010. Federal government backing for Mexico's industry may be coming at a good time. According to Mexican Congressional Representative Mr. Cruz Lopez, a confidential USDA report states that the USA intends to supply 90% of Mexico's meat requirements by 2015. Needless to say, this is very controversial in Mexico.

### **Market Access Status**

*Canada has access in Mexico for all U30M edible beef products. An efficient system has been implemented to list new establishments for export to Mexico.*

*A positive breakthrough occurred in April 2010 at the Cattle and Beef Working Group during Canada-Mexico Partnership meetings in Canada. CBEF, CCA, CNOG, AMEG, CNA and ComeCarne all supported an official letter of agreement calling for several market access processes and objectives. Objectives included: delivery of remaining required risk assessments by Health Canada to COFEPRIS; meetings between human health officials of Health Canada and COFEPRIS; approval of O30M beef access between Canada and Mexico if risk assessments support this action; establishment inspection and system approval of Mexico's cattle slaughter establishments (cutting establishments are already approved) for export to Canada; development of re-importation protocols to mirror the Canada-USA protocol; approval of ovine and caprine semen and embryo exports from Mexico to Canada; approval of live breeding sheep and goat exports between Mexico and Canada. This formal agreement should be used by the governments of Mexico and Canada to normalize the two-way trade in beef products.*