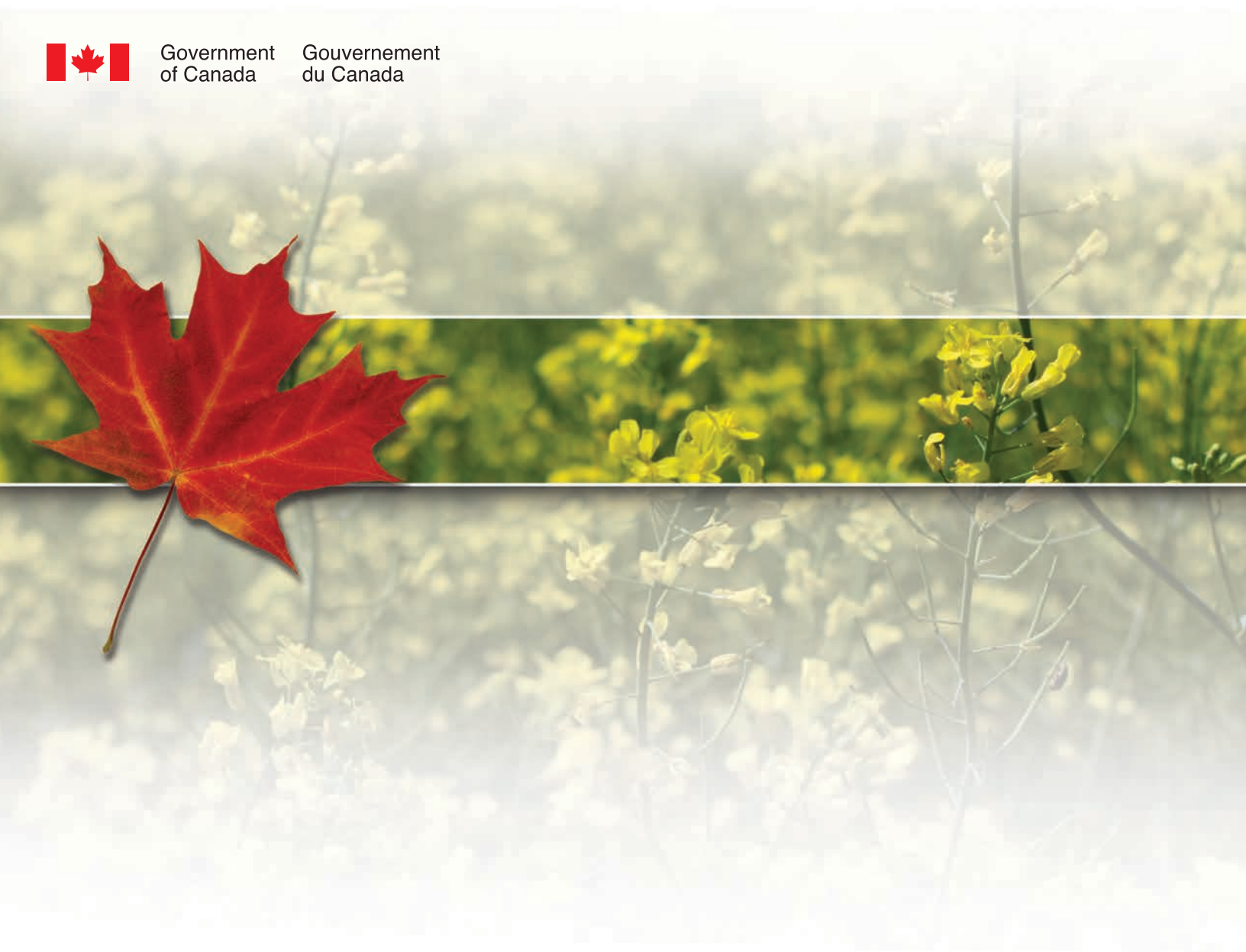




Government
of Canada

Gouvernement
du Canada



2012–2013

Agriculture and Agri-Food Market Access Report

Re-opening, maintaining and expanding markets

Canada 

Note to Reader

The statistics, values and other facts contained in this report were sourced from Statistics Canada, Agriculture and Agri-Food Canada, and other government sources and are based on the 2012 calendar year. Population and Gross Domestic Product (GDP) figures are sourced from The World Bank. Unless otherwise noted, all dollar values are Canadian dollars.

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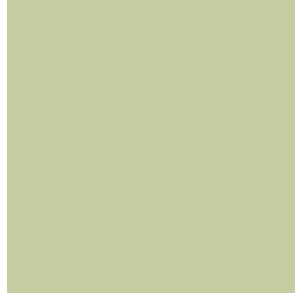
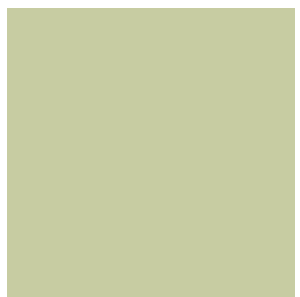
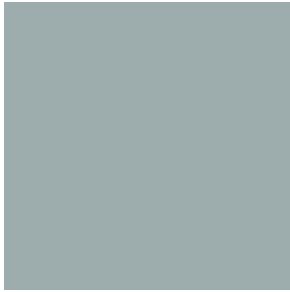
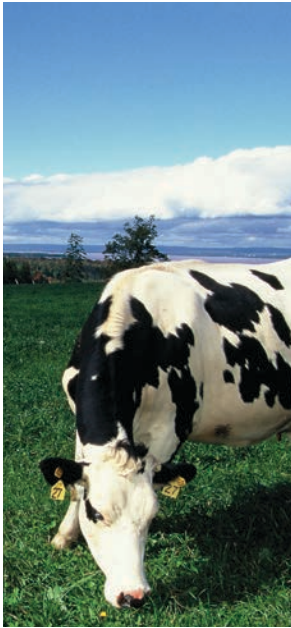
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MINISTERS' MESSAGE

The agriculture and agri-food sector continues to be a key priority for our Government. Last year was Canada's best year on record for agriculture and seafood exports, which totalled \$47 billion, an increase of 7.4% from 2011. This is an impressive accomplishment which demonstrates the collaborative efforts of the federal government, the provinces and territories, along with the Canadian agriculture and agri-food sector.

April 1, 2013 marked the official launch of *Canada's Growing Forward 2* (GF2) agricultural policy framework, with a \$3 billion investment by federal, provincial and territorial governments. GF2 provides the foundation for government agricultural programs and services over the next five years. The framework focuses on programs to ensure the Canadian sector has the tools and resources it needs for success, and will help drive transformative change by proactively investing in innovation, market access and development, and competitiveness. GF2 is fuelled by Canada's aggressive trade agenda, which is aimed at maintaining and expanding export opportunities in established and emerging markets.

May 2013 marked 10 years since the Canadian cattle, beef and small ruminants industries were hit by market closures that caused significant financial losses for producers across the country. On the upside, however, these circumstances led to an unprecedented level of collaboration between the two levels of government and industry. Thanks to this coordinated government-industry response, access to many of Canada's priority markets has been restored. We remain committed to working with partners to tackle unresolved market access issues and advance sales of world-class Canadian products.

We are pleased to present the *2012-2013 Agriculture and Agri-Food Market Access Report*. This report highlights our continued success in re-opening, maintaining and expanding markets for the sector. With Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, and Foreign Affairs, Trade and Development Canada, we are celebrating successes thanks to our coordinated approach. Together, we will continue to aggressively advance free trade agreements, work to overcome trade restrictions and obstacles, and advocate for science-based international standards. By positioning Canadian agriculture and agri-food products competitively in global markets, we will continue to drive a strong farm gate and a strong economy.



The Honourable Gerry Ritz
Minister of Agriculture
and Agri-Food



The Honourable Ed Fast
Minister of International
Trade

THE FEDERAL MARKET ACCESS TEAM

The Federal Market Access Team, comprised of Agriculture and Agri-Food Canada (AAFC), the Canadian Food Inspection Agency (CFIA) and Foreign Affairs, Trade and Development Canada (DFATD), takes a collaborative approach to advancing Canadian interests abroad. The Federal Market Access Team works closely with industry stakeholders to re-open, maintain, and expand international markets for the Canadian agriculture and agri-food sector. Joint government-industry efforts enable faster identification of market access issues, which are tackled aggressively and strategically to improve profitability and competitiveness, and increase trade opportunities. The Federal Market Access Team focuses market access efforts, sets priorities, and allocates resources to markets for the resolution of bilateral and multilateral market access issues.

A “SINGLE WINDOW” FOR MARKET ACCESS

In response to industry’s request for a defined communication channel with the Federal Market Access Team, a “single window” approach was introduced in early 2013. The Single Window aims to simplify the consultation process for bilateral market access issues and disseminates market access information. The Single Window provides a key contact point for industry, the provinces and territories, and the Agriculture portfolio (AAFC/CFIA), to engage on important market access related issues. The Single Window concept is achieved through the use of a single email account, which increases communication on important market access related information.

The Market Access Secretariat (MAS), housed within AAFC, is responsible for maintaining the Single Window. The MAS leads the triage of incoming market access requests, including enquiries regarding access to new markets and for updates on market access issues. The MAS is responsible for engaging the appropriate Federal Market Access Team members to ensure unified responses to enquiries, while providing a mechanism to aid in prioritizing issues. The MAS also disseminates important information and updates through the Single Window in a timely and consistent manner.

Since the MAS Single Window was introduced at the Annual Market Access Meeting in November 2012, there has been steady growth in its use. The Single Window has been used to disseminate vital market access information to industry, including, for example, updates on Russia’s ractopamine position and the latest United States Country-of-Origin-Labeling (COOL) rules. The provinces and territories have also made use of the MAS Single Window to seek updates on market access issues when senior officials participate in missions to foreign countries, or meet with incoming foreign officials in Canada.

CONTACT THE SINGLE WINDOW

The industry and provinces are asked to send market access requests and enquiries to:

mas-sam@agr.gc.ca

- A personalized acknowledgement of the enquiry will be sent within the same business day.
- The enquiry will be directed to the appropriate Federal Market Access Team personnel, to ensure a complete, consulted response.
- A detailed response to the enquiry will follow within five business days.

MARKET ACCESS PRIORITIES

Ten priority markets for the agriculture and agri-food sector were the focus during the period July 2012 to June 2013. The ten priority markets—China, the European Union, India, Indonesia, Japan, Mexico, Russia, South Korea, Taiwan and the United States—were selected based on consultations with industry stakeholders and the provinces and territories, along with an analysis of economic values and market potential. The priority markets consist of both emerging and established markets, with established markets offering existing and successful mechanisms for dealing with market access issues, and emerging markets presenting high economic potential as well as commercial risks for industry.

Each priority market offers feasible, achievable, and substantial market access opportunities, with benefits across Canadian sectors and regions (recognizing that each sector and region has its own unique priorities and challenges).

In addition to the 10 priority markets, the Federal Market Access Team worked to re-open, maintain, and expand market access in line with the Government's free trade agreements and negotiations.

RE-OPENING, MAINTAINING AND EXPANDING ACCESS IN PRIORITY MARKETS



CHINA

Background

With a population of over 1.3 billion, China is the world's second largest economy. In 2012, the agriculture sector accounted for 10% of China's gross domestic product (GDP), which totalled US\$8.1 trillion.

China has become Canada's second largest export market for agri-food and seafood products, with Canada's main exports to China being canola (seed, oil and meal), soybeans, peas, and mink furskins. In 2012, Canada's agri-food and seafood exports to China totalled \$5.4 billion, representing more than a quarter of all Canadian exports to China.

Canada and China have collaborated on many initiatives, such as the Joint Economic Complementarities Study, released in August 2012, which identified a number of complementarities and prospects for growth in the bilateral trade relationship. Opportunities for additional Canadian agriculture and agri-food exports to China include packaged food and beverages, organic products, seafood and functional foods. Many of these opportunities exist due to Canada's reputation as a source of safe, high-quality food products.

Canada is committed to deepening trade and economic relations with China. China is one of the priority markets in Canada's Global Commerce Strategy, which is the Government of Canada's framework for strengthening the competitiveness of Canadian businesses in international markets. The Strategy identifies the agriculture, food and beverage sector as offering key market opportunities. Government and industry in both nations are increasingly co-operating on technical and scientific exchanges to assist China in addressing domestic challenges and advancing third-market opportunities for both countries.

Advancing market access issues with China remains a priority. The Government will continue to work towards expanded beef access by seeking to obtain approval of additional plants to export beef and initiating technical exchanges on bone-in beef and offal; regaining access for poultry products, which have been banned since 2009 due to avian influenza; and negotiating conditions for imports of live swine and pork, timothy hay and blueberries.

Market Access Accomplishments

Beef

- Canada announced in January 2013 that China had approved four additional beef establishments to export beef to China. This presents additional market opportunities for the Canadian beef sector. Canada Beef Inc. has estimated the Chinese market for under 30 month (UTM) deboned beef to be worth \$20 million annually. Once full market access is achieved, the Chinese market for Canadian beef and cattle is expected to be worth \$110 million annually.

Cherries

- On June 14, 2013, Canada signed a phytosanitary arrangement with China allowing the import of fresh cherries from the Province of British Columbia (B.C.) on a trial basis. This arrangement allows shipments of fresh B.C. cherries to commence during the 2013 harvest season. The B.C. Cherry Association projects that by 2014, the value of these shipments of fresh cherries to China could be worth \$10 million annually, increasing to \$20 million per year, within the next five years.

Grains and Oilseeds

- A phytosanitary arrangement for grains and oilseeds was also signed on June 14, 2013, which aims to provide long-term, stable and predictable market access for Canadian wheat, barley and soybeans to China.

Canola

- Canada completed co-operative research projects addressing China's phytosanitary concerns related to canola blackleg under the 2012 Memorandum of Understanding between the CFIA and China's Administration of Quality Supervision, Inspection and Quarantine. As a result of co-operation between the Government of Canada and the Canadian canola industry, China granted Canadian canola seed access to a crushing facility in the Jiangsu Province on a trial basis. The Jiangsu Province had been closed to Canadian canola seed exports since 2009. This is a positive step toward obtaining permanent access to this market. Canada currently has access to 11 Chinese crushing facilities as a result of the co-operative research projects.

Collaborative Government-Industry Efforts and Science Open the Door for Fresh Cherries to China



In 2007, Canada requested access to the Chinese market for fresh cherries from the Province of British Columbia (B.C.). After six years of negotiating efforts by the Canadian government, in consultation with the B.C. cherry industry, the signing of a formal arrangement in 2013 opened the door for fresh cherries to be exported to China.

The arrangement was announced on June 14, 2013. It is projected that over the next five years, sales of fresh cherries to China could be worth over \$20 million annually.

Christine Dendy, President of the B.C. Cherry Association, said she was pleased that the collaborative efforts of government and industry had finally paid off. She said that “it has taken a long time and a lot of hard work, but we are very pleased with this deal. It’s obviously a very exciting time for our members because the potential to expand into a major market like China provides great opportunity.”

David Geen, cherry grower and chair of the association’s market access committee noted that the negotiations involved a team effort by the B.C. Cherry Association, the B.C. Fruit Growers Association and the federal and provincial governments.

Canada and China had previously failed to finalize technical negotiations on a phytosanitary arrangement due to China’s requirement for a mandatory pre-shipment cold treatment schedule, targeting temperate fruit flies. China believed that the cold treatment schedule would mitigate fruit fly infestations on imported cherries. Canada was able to demonstrate to China that this treatment would be ineffective against the temperate fruit flies that are present in the cherry growing areas of B.C. and gained China’s acceptance of Canada’s current science-based system approach. China agreed to allow access on a trial basis, thereby providing Canada with the opportunity to demonstrate the effectiveness of its system.

“The hope is that the Chinese will gain a level of comfort and confidence in what they see and moving forward, we will have a similar regimen to what we have with other countries,” Geen stated.

The key lessons learned from this market access success story include the benefits of having the cherry industry work collaboratively with the federal and provincial governments to advocate for access on terms Canada can meet, as well as the importance of maintaining a science-based approach in negotiation discussions.

China’s confidence in granting market access to Canadian fresh cherries is expected to pave the way for exports of fresh blueberries to China, which is still under negotiation.



EUROPEAN UNION

Background

The European Union (EU) is the world's largest single common market, foreign investor, and trader. It comprises *27 Member States with a total population of over 502 million and a GDP of just under US\$16.6 trillion in 2012. Agriculture represented 1.8% of the European Union's GDP. The EU is incredibly diverse, comprising both large and small national economies, as well as advanced and emerging markets within its borders. The EU offers Canadian exporters opportunities to diversify their international activities and can provide a stepping stone to markets in Asia, Africa and the Middle East.

The trade relationship between Canada and the EU is a priority for the Government of Canada, and the EU has proven to be an important market for Canadian agriculture and agri-food exporters for many years. In 2012, the EU was Canada's fourth largest trading partner, with agri-food and seafood exports to the EU valued at \$2.8 billion. The top exports were soybeans, wheat, pulses, frozen wild blueberries, shrimp, and canola seed.

The close relationship between Canada and the EU is expected to be strengthened as both governments work to conclude negotiations on a Comprehensive Economic and Trade Agreement (CETA). This agreement will improve bilateral trade and give Canadian businesses, including agricultural exporters, a significant competitive edge by providing preferential access to the largest market in the world.

While Canada has had success in resolving key market access issues with the EU, outstanding issues remain, including trade policy and regulatory measures that continue to restrict access for meat (e.g. tariff rate quotas [TRQs], hormone- and ractopamine-free requirements and the lack of acceptance of carcass decontamination methods approved in Canada); the EU's non-science-based approach to approvals of new genetically engineered (GE) crops and its strict zero-tolerance policy for low-level presence (LLP) in food products; and proposed changes to the process for approving plant protection products. Canada is also advocating that EU sustainability policies are science- based.

*Croatia, with a population of over 4 million, became the 28th EU Member State in July 2013. Therefore, the 28 EU Member States now have a combined population of 506 million.

Market Access Accomplishments

Beef

- On July 1, 2012, the EU introduced a First-Come-First-Serve (FCFS) system to administer the 20,000 tonne high-quality, hormone-free beef duty free tariff rate quota (TRQ). On August 1, 2012, the TRQ increased from 20,000 to 48,200 tonnes, providing opportunities for the Canadian beef sector to expand its exports in a market valued at \$7.8 million in 2012.
- On February 4, 2013, the EU adopted a measure authorizing the use of lactic acid to reduce microbiological surface contamination on bovine carcasses. As a result, the Canadian beef industry can now use this carcass decontamination method on products destined for export to the E.U.

Pork

- On January 24, 2013, a new Canadian establishment was approved to export pork to the EU. This will assist the pork industry in positioning itself to leverage the long-term potential of the EU market. Three establishments are currently approved to export products to the EU.

Flaxseed

- On April 26, 2013, European Union Member States accepted Canada's proposed updates to the protocol for Canadian flaxseed exported to the European Union, ensuring continued access to a market worth \$27 million in 2012. These changes will streamline the protocol and reduce the cost of its implementation.



INDIA

Background

India has the world's second largest population, with 1.22 billion people. In 2012, agriculture accounted for 17.2% of India's GDP, which was US\$1.9 trillion.

Canada and India have a co-operative and mutually beneficial trade relationship, and have implemented measures to facilitate trade between the two nations. India is Canada's ninth-largest agri-food and seafood export market. In 2012, Canada's agri-food and seafood exports to India were valued at \$532.3 million. Pulse crops (peas, lentils, and chickpeas) accounted for 95% of agri-food exports, followed by canola oil and animal feed preparations. India offers significant market opportunities well-suited to Canadian capabilities and interests. In addition to being a key market for Canadian pulses, India has the potential to be a priority market for many other Canadian agricultural products, including grains, oilseeds, animal genetics, fodder, fats and oils, processed foods, beverages, and confectionery.

The Government is currently negotiating a Comprehensive Economic Partnership Agreement with India. The seventh round of negotiations, which took place in New Delhi in February/March 2013, was particularly important for the agriculture sector, as it focused on topics of concern. The eighth round of negotiations took place in Ottawa in June 2013. As part of the tariff negotiations, the elimination of tariff barriers for Canada's top agricultural exports is a priority.

Canada continues to work with India to resolve market access issues related to commodities such as pulses, canola oil, live swine, live bulls, animal genetics, and pork. Issues affecting many of these commodities concern the modification of technical requirements.

Market Access Accomplishments

Dairy and Swine

- The third meeting of the Canada-India Memorandum of Understanding Joint Working Group took place in India in early April 2013. Ongoing projects on the dairy and swine value chain, pulse innovation, crop insurance and organic equivalency were reviewed and next steps discussed. This is especially significant as both the dairy and swine projects are aimed at securing access to India for live swine and dairy cattle in order to improve the country's domestic stock.



INDONESIA

Background

Indonesia, with a population of 245 million, had a GDP of US\$878 billion in 2012, of which the agriculture sector accounted for 15.4%. Canada-Indonesia relations are influenced considerably by dealings with the Association of Southeast Asian Nations (ASEAN) and participation in international fora, including the World Trade Organization (WTO) and the Asia-Pacific Economic Cooperation (APEC) forum. Indonesia is Southeast Asia's largest economy and has delivered consistently high annual growth. Its location on the world's major trade routes also makes it an attractive market for Canadian exporters.

In 2012, Indonesia was Canada's eleventh-largest overseas market for agri-food and seafood exports, which were valued at over \$390.2 million. Indonesia is a significant importer of both bulk and processed food and feed stuffs. In 2012, Canada's main exports to Indonesia were non-durum wheat, frozen snow crab, frozen fries, and soybeans.

Enhancing bilateral trade relations and resolving market access issues are expected to provide further market opportunities for Canadian exporters. For example, exports of Canadian prepared food and seafood have experienced significant growth in Indonesia over the past few years. Canadian seafood exports to Indonesia increased from just over \$1.4 million in 2010 to nearly \$16 million in 2012. Indonesia is the world's second-largest consumer of soybeans, particularly in the form of tofu and tempeh. Canadian soybean exports to Indonesia were valued at \$3.6 million in 2010 and reached \$6.1 million in 2012, showing good potential for future export growth.

The Government of Canada has been working to secure improved access for Canadian agriculture and agri-food exports to this growing market. Achieving market access for live cattle continues to be a priority for the federal government, which has held numerous technical exchanges with Indonesia to reach an agreement on certification requirements. The Government is also working to expand access for beef from animals under 30 months of age and over 30 months of age boneless beef to all beef and beef products, including beef tallow. Canada is also striving to restore access for Canadian seed potatoes.

Canada continues to engage Indonesia with a view to ensuring that its import licensing regime, in particular for horticultural products, live animals and animal products, does not restrict trade and is consistent with relevant WTO obligations.

Market Access Accomplishments

Horticulture

- In 2012, Canada hosted officials from Indonesia to advance negotiations on Indonesia's recognition of Canada's food safety control systems for fresh food of plant origin under their new Regulation 88, which governs horticulture food safety. Canada was successful in obtaining Indonesia's agreement to an extension period until the negotiations are completed.



JAPAN

Background

With a population of over 127 million and a GDP valued at US\$6 trillion, Japan was the world's third-largest economy in 2012. Japan's GDP grew 2% between 2011 and 2012, after dipping slightly in 2011. Agriculture accounts for 1.1% of Japan's GDP and the country relies on imports to meet 60% of its food requirements. The proportion of food imports has increased over the past five years.

Japan remains an important international trade partner and Canada's third-largest agri-food and seafood market, accounting for \$4.2 billion worth of exports in 2012, up nearly 7% over 2011. Canada's top agri-food exports to Japan were canola seed, pork, non-durum wheat, and soybeans. The country's significant dependence on agri-food imports represents enormous opportunities for competitive Canadian companies with focussed marketing strategies and sound follow-up on customer service. Japan is increasingly becoming a market where suppliers can build on Canada's strong reputation with consumers and food processors.

Canada and Japan share long-standing political and economic ties. High-level visits between the countries have continued to strengthen the relationship. Japan plays a key role in other Asian economies and provides a potential gateway for Canadian companies wishing to do business in the region's emerging and dynamic markets.

Canada is committed to deepening economic ties with Japan by ensuring that trade flows freely between the countries. Canada and Japan launched Economic Partnership Agreement (EPA) negotiations in March 2012. An EPA with Japan would yield significant economic benefits for both countries and strengthen bilateral trade and investment opportunities. The Joint Study on the Possibility of a Canada-Japan EPA projects that an agreement could increase Canada's GDP by US\$3.8 billion and boost exports to Japan by 67%. These bilateral negotiations with Japan represent a landmark opportunity to deepen Canada's relationship with one of the world's largest and most innovative economies. In particular, the agreement is expected to strengthen bilateral trade opportunities in many areas of interest to Canada, including agri-food products, fish and seafood, and natural resources.

Canada and Japan are also both members of the Trans-Pacific Partnership (TPP) negotiations, an initiative aimed at achieving an ambitious outcome in trade liberalization and market access, while addressing other impediments to trade and investment in the Asia-Pacific region. The TPP and the Canada-Japan EPA are mutually supportive efforts to strengthen economic relations and obtain improved access into the Japanese market.

Canada and Japan continue to share technical information and are working towards achieving an organic equivalency arrangement, which would reduce costs for Canadian organic exports and facilitate trade for both countries. Furthermore, the Government of Canada is working towards resolving access issues for flax by encouraging Japan to adopt a pragmatic approach to tolerance levels for naturally occurring chemical compounds in food-grade flax.

Market Access Accomplishments

Beef

- On January 28, 2013, Japan granted Canada expanded market access for Canadian beef from animals under 30 months of age. This expanded access is expected to double the potential market value to \$150 million, according to the Canadian Cattlemen's Association (CCA).

Expanding Relations with Japan



Japan is an important international trade partner for Canada, as many Canadian agriculture producers and processors depend on the Japanese market for lucrative opportunities. Given the potential opportunities to expand trade with this priority market, it is essential that Canada continues to deepen its economic ties with Japan. The Government of Canada's persistent efforts in this market over the last year have led to increased market opportunities.

On January 28, 2013, Agriculture Minister Gerry Ritz and International Trade Minister Ed Fast announced that Canada had reached an agreement with Japan to expand market access to include Canadian beef from animals under 30 months of age. This represents an improvement over the previous arrangement, which only permitted beef exports from animals under 21 months of age. Minister Ritz stated that working closely with Japan was key to achieving results for Canadian exporters, and that Canada would take the trading relationship to the next level through an Economic Partnership Agreement (EPA).

Industry members also commented on the expanded access. "This is an outstanding development that will benefit Canada's beef producers by enabling exports of Canadian beef to Japan on a year-round basis, while meeting Japan's need for a more consistent supply of Canadian beef," said Martin Unrau, President of the Canadian Cattlemen's Association.

Following the announcement of expanded beef access in March 2013, Minister Ritz led an industry delegation to promote Canadian agricultural products and the expanded availability of beef products. The industry representatives included members from the cattle, beef, pork, canola, grains and wheat sectors.

In Tokyo, Minister Ritz met with his counterpart to discuss agricultural trade issues. The meeting underscored Canada and Japan's long-standing agricultural partnership and reiterated Canada's commitment to further deepening this relationship through an EPA. Both ministers noted that good progress was being made and that officials were pursuing ambitious intercessional work.

The mission was timed to coincide with FoodEx, the largest food and beverage trade show in Asia, which was held from March 5 to 8, 2013. The Canadian Pavilion at FoodEx was well positioned to support the Canadian agricultural industry and promote its top-quality food products. FoodEx is a crucial forum which allows Canadian businesses to foster trade and sales opportunities and to meet and forge relationships with potential new customers. A diverse group of 23 exhibitors representing many of Canada's agricultural sectors, from beef to beer to berries, participated within the Canadian Pavilion. FoodEx exhibitors expected to post \$33.2 million in sales over the following 12 months as a result of their participation. Furthermore, exhibitors' on-site sales totalled approximately \$2.6 million. These figures suggest that for every dollar invested by the Canadian Government in this trade show, the industry generates \$270 worth of sales.

Looking ahead, Canada will continue to provide support for increased agriculture trade between the two countries. Increased engagement and deepening economic ties with Japan pave the way for additional market access opportunities, benefitting Canada's agriculture and agri-food sector as a whole.



MEXICO

Background

Mexico, with a population of 116 million, had a GDP of US\$1.2 trillion in 2012, of which the agriculture sector accounted for 3.7%. Mexico is a rapidly expanding economy with a dynamic consumer sector. Its proximity to Canada and its involvement in the North American Free Trade Agreement (NAFTA) have contributed to its importance as a market for Canadian agricultural exports. Mexico is also a member of the Trans-Pacific Partnership (TPP). Pursuing a comprehensive TPP agreement will enable Canada and Mexico to strengthen the North American partnership and deepen collective integration in the Asia-Pacific region. Canada and Mexico continue to work together on the U.S. Country-of-Origin Labelling (COOL) measure, which has had a significant negative impact on Canada's cattle and hog industries, as well as on Mexico's cattle industry. Both countries have consulted each other and co-ordinated their advocacy efforts and legal arguments related to their respective challenges at the World Trade Organization (WTO).

In 2012, total bilateral agri-food and seafood trade between Mexico and Canada topped \$3.12 billion. In the same year, Mexico was Canada's fifth-largest export market for agri-food and seafood products, with exports valued at \$1.8 billion. Canada's top exports to Mexico in 2012 included canola, non-durum wheat, beef, frozen fries, waffles and wafers, and pork. Opportunities exist for supplying high-end restaurants and hotels in major cities and tourist areas, as well as exporting food ingredients to Mexico's growing processing sector.

Canada and Mexico continue to strengthen their relations through the Canada-Mexico Consultative Committee on Agriculture (CCA) and the Agri-Business Working Group of the Canada-Mexico Partnership (CMP) which provides an effective platform for government and industry to engage on agriculture trade issues of mutual interest and enhance linkages between agri-business sectors. Canada has continued to collaborate with Mexico on biotech-related issues in fora such as the North American Biotechnology Initiative (NABI) and the Global Low Level Presence (LLP) initiative. Such initiatives allow for technical information exchanges and high-level policy discussion on biotechnology, which are aimed at identifying areas for further co-operation and possible solutions to mitigate unnecessary disruptions to international trade. Officials from Mexico, the United States, and Canada meet on a regular basis to discuss respective frameworks for the regulation of biotechnology products and to collaborate on initiatives that foster mutual understanding, share experiences and address common issues.

The Government is working with Mexico to resolve its bovine spongiform encephalopathy (BSE) ban on beef derived from animals over 30 months of age. Canada also continues to review import conditions for potatoes, along with import conditions and certification in connection with avian influenza restrictions on raw poultry meat.

Market Access Accomplishments

Meat

- In December 2012, Mexico renewed the approvals of all Canadian meat establishments until the end of December 2014.

Animal and Pet Food

- Since December 2012, export certificates for porcine semen, live horses, bovine gelatin capsules, ovine embryos and semen, caprine embryos and semen, and pet food have all been finalized.



RUSSIA

Background

The Russian Federation (Russia), with a population of 143.5 million, had a GDP of US\$2 trillion in 2012, of which the agriculture sector accounted for 3.9%. Canada and Russia maintain steady bilateral relations, and also enjoy a strong business and trade relationship. Russia's accession to the World Trade Organization (WTO) in August 2012 should contribute to a more predictable and stable business environment for the future.

Russia is one of the world's largest importers of food products, notably meat, and Russia's interest in Canadian products and expertise continues to increase. Canada is an ideal trading partner for Russia, helping to develop its livestock sector to its full potential through the provision of key agricultural inputs, such as machinery, technology, knowledge, and expertise. To this effect, Canada and Russia are implementing a bilateral co-operation agenda as discussed at the June 2013 meeting of the Agriculture Working Group of the Canada-Russia Intergovernmental Economic Commission.

Throughout 2012, Russia was Canada's seventh-largest agri-food and seafood export market. Canada's total exports of agri-food and seafood products to Russia increased from \$557 million in 2011 to \$668 million in 2012. Top exports included pork, shrimp, pet food, frozen fish, live cattle and swine. In addition to beef and pork, there are increased opportunities for exports of Canadian fish and seafood, as well as pet food.

Challenges in the Russian market include the bans imposed by the Eurasian Economic Commission (EEC) of the Customs Union (Belarus, Kazakhstan, and Russia) on imports of meat from animals produced using ractopamine and growth promoting hormones. Despite the Canadian pork industry's efforts to comply with the new requirements, on April 17, 2013, on behalf of the EEC, Russia's Federal Service for Veterinary and phytosanitary surveillance delisted most pork and beef establishments exporting to the Customs Union, seriously impacting the Canadian sector's ability to export to Russia. The Canadian Government continues to actively engage Russia on this issue. The CFIA is pursuing the relisting of establishments that meet the EEC's requirements and negotiating a meat export protocol to facilitate exports to the Customs Union.

Market Access Accomplishments

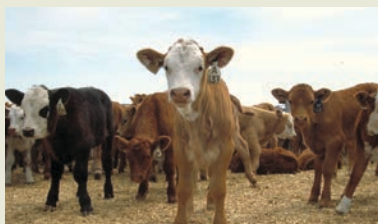
Livestock

- On September 13, 2012, Russia lifted its ban on breeding cattle from British Columbia (B.C.), allowing exports from Western Canada to be shipped through B.C. and facilitating access to the Far East Russian market.
- The Canada-Russia Livestock Consulting Centre (CRLCC) in Orenburg was officially launched on October 15, 2012. The CRLCC showcases Canadian excellence in animal production and promotes Canadian livestock and genetics in the Russian market.

Certificates for various commodities

- To further the establishment of new Customs Union (CU) legal provisions allowing trading partners to negotiate certificates that differ from the CU models, in 2012 the CFIA resubmitted comments and proposals on numerous CU model certificates. The CFIA made 28 submissions covering 14 existing certificates and 14 other certificates in an effort to secure access. The commodities concerned include meat products, livestock and genetics, pet food, and fish and seafood. Through this process, the CFIA was able to extend the validity of existing certificates past the January 1, 2013 deadline and until an agreement is reached on new certification requirements with the Eurasian Economic Commission (EEC) and its member countries. The CFIA and the EEC held two technical negotiating sessions, in December 2012 and March 2013.

Creating Opportunities for Market Access - Livestock Consulting Centre in Orenburg



Creating opportunities to enhance relationships with major trading partners and facilitating co-operation in areas of mutual interest is a key component in Canada's strategy to achieve trade and overall market access success. Given that Russia is the world's largest importer of purebred cattle (importing 86,534 head in 2011 valued at \$303 million), and given the Russian livestock industry's long-term demand for breeding cattle, an opportunity was identified to encourage cooperation in this area.

Following a series of consultations with industry, the Canada-Russia Livestock Consulting Centre (CRLCC) pilot project was introduced. In February 2012, Agriculture and Agri-Food Canada (AAFC), in collaboration with the Canadian Embassy in Moscow, coordinated a workshop in Orenburg, to discuss the possibility of improving Russian beef livestock by using the Canadian Hereford breed. The workshop brought together Canadian and Russian veterinary scientists and stakeholders. It was at this venue that the proposal for the establishment of a CRLCC in Orenburg, Russia was put forward. The objective was to take advantage of the mutual interest in developing Orenburg's short-term and long-term needs for livestock breeding and production, genetics, and animal husbandry, while showcasing the benefits of Canadian livestock and genetics.

The CRLCC was officially launched on October 15, 2012. Canadian and Russian experts from a variety of disciplines work together at the CRLCC to advance the needs of Orenburg's livestock industry, as well as to build educational capacity and knowledge management. The CRLCC is housed in the All-Russia Research Institute for Beef Cattle Breeding in Orenburg; however, it will also include virtual elements, such as an interactive web portal and online courses. Canadian animal reproduction experts conducted an assessment study for the development of an embryo transfer facility in Orenburg. This study was extended and includes enhanced training of Russian specialists on reproduction techniques. Other projects that have been initiated under the CRLCC concept include a study tour for Russian officials in 2012 and a livestock industry information portal in May 2013.

Canadian CRLCC partners include the federal and provincial governments, the agriculture industry, and academia. The CRLCC is supported by an Industry Advisory Group (IAG) whose members represent Canadian livestock producers, veterinarians, exporters, the embryo industry, and AAFC.

The success of this project lies in its collaborative approach involving many stakeholders and their efforts to create realistic business opportunities for both countries involved. As part of the ongoing effort to support the progress of livestock management, Canadian best practices are being applied to the Russian livestock sector. The CRLCC will continue to promote co-operation and capacity-building efforts to strengthen bilateral relations with Russia. It will reinforce Canada's position as a supplier and partner of choice, creating more market opportunities and business transactions for the Canadian agriculture sector as a whole.



SOUTH KOREA

Background

South Korea, with a population of 50 million, had a GDP of US\$1.1 trillion in 2012, of which the agriculture sector accounted for 2.7%.

In 2012, South Korea was the eighth-largest market for Canadian agri-food and seafood products, with exports totalling \$575 million. The top five Canadian agricultural exports to South Korea in 2012 were non-durum wheat, frozen pork, crude canola oil, fresh pork, and food preparations. The country provides an important market for a number of Canadian agri-food products, and remains a notable market for Canadian seafood. It also presents opportunities for exports of convenient, prepared, and healthier food products. South Korea's processing and manufacturing industry is dependent on agricultural imports, a situation that creates opportunities for Canadian ingredients, additives, and intermediate products imports.

Building on the positive momentum created by the resumption of Canadian beef exports to South Korea in early 2012, Canada has been proactively re-engaging with South Korea in discussions on the Canada-South Korea Free Trade Agreement (CKFTA) negotiations. Resolving the remaining issues has proved to be challenging, and the re-engagement process was delayed by the transition in government and the bureaucratic re-organization in South Korea in early 2013. Canada's objective remains a high-quality CKFTA, which will ensure that Canadian producers have competitive terms of access to the South Korean market.

To expand opportunities in this priority market, work continues to address restrictions placed on Canadian mixed tallow originating from Canada and the U.S., changes to GM labeling standards, changes in South Korea's biotechnology regulations, new organic regulations, unequal treatment of canola seed exports due to higher import tariffs, and access for fresh blueberries.

Market Access Accomplishments

Pork

- Canada has been successful in maintaining access for Canadian agricultural exports to South Korea by helping to develop a stronger trade environment. In March 2012, South Korea notified its trading partners of changes to its existing import health requirements for pork and pork products, and requested that countries update export certification requirements accordingly. Canada successfully negotiated revised import conditions, and the approval of Canada's revised health certificate was obtained on December 14, 2012. This will allow continued access for Canadian pork producers, who in 2012, exported \$129.3 million worth of products to South Korea.



TAIWAN

Background

Taiwan, with a population of over 23 million people, had a GDP of US\$474 billion in 2012, of which the agricultural sector accounted for 1.7%. Canada and Taiwan share a positive relationship, based on long-standing economic and cultural ties. Both Canada and Taiwan are APEC (Asia-Pacific Economic Cooperation) members, and market access to Taiwan has greatly improved since Taiwan's accession to the World Trade Organization in 2002. As a result, Canada has benefited from reduced tariffs and trade barriers.

In 2012, Canada's agri-food and seafood exports to Taiwan were valued at \$209.4 million. The top five agri-food exports were frozen pork, frozen chicken, canola oil, prepared foods, and beef hides. Canadian exporters continue to experience growing opportunity within the Taiwanese market due to its significant dependence on agriculture and agri-food imports and interest in North American food and beverage products. Other opportunities exist in the specialty food and the expanding processed food categories, with canned, frozen, and preserved foods being the most profitable.

The Government of Canada continues to work to resolve market access issues with Taiwan. Such issues include access for tallow, ginseng, and fresh apples. Expanded beef access is also being pursued, which would include access for bone-in beef from animals under 30 months of age and selected offal. Ractopamine is also at the forefront from a market access perspective; in September 2012 Taiwan adopted maximum residue limits for beef muscle cuts but it has maintained its zero-tolerance policy for pork and turkey.

Market Access Accomplishments

Poultry

- On February 1, 2013, Taiwan granted access to Saskatchewan-origin poultry products, which had been banned from the country since 2007. The value of Canadian poultry exports to this lucrative market increased by 206% between 2007 and 2012, reaching \$24.2 million in sales in 2012.



UNITED STATES

Background

The United States (U.S.), with a population of over 314 million people, is the world's largest economy. In 2012, the U.S. GDP was US\$15.7 trillion, of which agriculture accounted for 1.2%.

Canada and the U.S. are each other's most important trading partners and enjoy the broadest bilateral trading relationship in the world. Since the implementation of the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement (NAFTA), two-way trade in goods and services has almost tripled. In 2012, our bilateral trade in goods and services stood at \$708 billion. In 2012, Canada exported \$23.6 billion in agri-food and seafood products to the U.S., which accounted for more than half of all Canadian agri-food exports. Canada's top agri-food exports to the U.S. are canola oil, live cattle, canola meal, bakery products, frozen fries, and fresh boneless beef.

Canada is currently working closely with the U.S. through the TPP negotiations to strengthen our existing commercial relationship and pursue shared interests in enhancing trade and investment opportunities on both sides of the border, and in the Asia-Pacific region. These efforts complement other initiatives, such as the Canada-U.S. Regulatory Cooperation Council (RCC) Joint Action Plan, which is aimed at facilitating the movement of goods and services between our countries.

The RCC Joint Action Plan sets out 29 initiatives, 10 of which relate to agriculture and food, which are aimed at achieving greater alignment of Canadian and U.S. regulatory approaches. The RCC focuses on three areas within the agriculture and food sector: food safety, agricultural production, and marketing. Increased regulatory co-operation in this sector will help make it easier to conduct business between Canada and the U.S., thereby enhancing two-way trade in agriculture and agri-food products. In addition, the Declaration on a Shared Vision for Perimeter Security and Economic Competitiveness (also known as the Beyond the Border (BtB) initiative) establishes a new long-term partnership built upon a perimeter approach to security and economic competitiveness, which includes eight agriculture-related items.

The Government is committed to expanding market access to its full potential in the U.S. The Government continues to monitor the progress of the U.S. BSE comprehensive rule, which encompasses all beef and cattle trade between Canada and the U.S., along with work being undertaken by the U.S. to restore access for Canadian small ruminant breeding stock.

Market Access Accomplishments

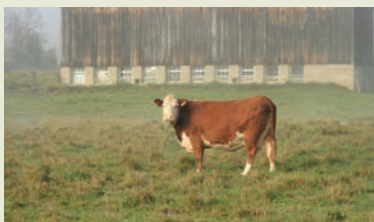
Regulations

- Progress has been made on a number of RCC and BtB initiatives. Canada and the U.S. have signed an arrangement for the RCC Foreign Animal Disease Zoning initiative, which acknowledges the two countries' intent to recognize each other's zoning measures during highly contagious foreign animal disease outbreaks. This arrangement will help to minimize trade disruptions while still preventing the spread of disease, should an outbreak occur. Over the short term, the RCC and BtB work will focus on completing existing initiatives. Over the longer term, the CFIA and its U.S. counterparts intend to implement a more systemic approach to regulatory co-operation.

Grains

- The Canada-U.S. Grain and Seed Task Group, established in April 2012, has been successful at dispelling myths about how changes to the Canadian Wheat Board impact cross-border trade. The Task Group is comprised of grain and seed stakeholders on both sides of the border. It has created a website (www.canada-usgrainandseedtrade.info) to address questions from U.S. and Canadian stakeholders about marketing grain in both countries. This initiative is a good example of the ongoing collaborative work between the two countries.

Building On Our Success – Country-Of-Origin Labelling Update



Last year's Agriculture and Agri-Food Market Access Report featured the success story "WTO Ruling – Triumph for Canada." The story focused on Canada's success in June 2012, when the World Trade Organization (WTO) Appellate Body agreed with Canada's claim that the United States (U.S) Country-of-Origin Labelling (COOL) discriminated against Canadian cattle and hogs. This ruling demonstrated the effectiveness of government-industry collaboration and

was a significant victory for the cattle and hog sectors. The U.S. was subsequently given until May 23, 2013, by a WTO-appointed arbitrator, to bring its COOL measure into conformity with its WTO obligations.

On May 23, 2013, the U.S. Department of Agriculture issued amendments to the COOL regulations (through a "Final Rule") requiring that the country of origin for each production step (i.e., where the animal was born, where it was raised, and where it was slaughtered) be indicated on the retail label of beef and pork muscle cuts. These amendments also eliminated the possibility of commingling meat from foreign and domestic animals slaughtered during a single production day and of marketing such meat under a common label.

In Canada's view, these amendments to the COOL regulations do not bring the U.S. into compliance with its WTO obligations, but instead increase the discrimination against Canadian livestock in the U.S. marketplace. Ministers Fast and Ritz released statements emphasizing Canada's disappointment with the regulatory changes put forward and promising that Canada would consider all options at its disposal, including retaliatory measures, if needed. Both ministers promised to fight for Canadian cattle and hog producers until a successful outcome is achieved.

A list of U.S. products for possible future retaliation by Canada was published in the *Canada Gazette* on June 15, 2013. This formally launched the consultation process with Canadian stakeholders, as Canada moves forward with the WTO dispute settlement process over the next 18 to 24 months. Pursuant to WTO rules, Canada cannot impose any retaliatory measures unless it successfully completes the WTO compliance proceedings and has been authorized by the dispute settlement process to retaliate. Canada is actively advocating for a legislative modification in the next U.S. *Farm Bill* as a way to end the discrimination and to avoid further litigation.

The next steps will again require close collaboration between industry and government. While the process has been lengthy, Canada's achievements to date and the promise of further success lie in the ability of one WTO member to hold another WTO member to account for violating trade obligations under the WTO Agreement on Technical Barriers to Trade. Canada will continue to work within the WTO system, and bilaterally, to seek a resolution to the discriminatory effects of COOL, so that the cattle and hog industries can once again be competitive in the U.S. market.

SUCCESSSES IN OTHER MARKETS

In addition to its market access accomplishments in the ten priority markets, the Federal Market Access Team worked with industry and with the provinces and territories to improve market access for Canadian agricultural products in the countries listed below.

Costa Rica

- In December 2012, Canada gained access for breeding cattle.
- In March 2013, Canada gained access for sheep and goat genetics.
- On March 28, 2013, the Government of Canada and the Government of Costa Rica entered into an equivalency arrangement for the trade of organic products, which recognizes the two countries' respective standards and controls for organic products as being equivalent.

Jamaica

- Following a review of scientific and technical information provided by Canada, in June 2012 Jamaica lifted its ban on imports of poultry and poultry products from Saskatchewan. Jamaica originally ordered a ban on poultry imports from the province in 2007, following an outbreak of avian influenza. In 2012, Jamaica imported US\$58 million worth of poultry and poultry products.

Kazakhstan

- In July 2012, Kazakhstan confirmed that Canada may use veterinary certificates, bilaterally agreed to with Russia, for exports of the following to Kazakhstan: boneless beef from animals over 30 months of age, pork and pork meat, poultry meat; sausages, tinned goods, sterilized, pasteurized and other prepared meat products which have undergone thermal processing; dry pet food; fresh-dried raw materials for fur manufacturing; and breeding sheep and goats.
- On July 26, 2012, Canada secured market access for boneless beef from animals over 30 months of age, in addition to the recently negotiated access for all beef from animals under 30 months of age. This new market access is estimated by the Canadian beef industry to be worth up to \$1 million annually.

Libya

- On September 26, 2012, Libya granted market access for Canadian breeding cattle. This newly re-opened market is estimated by industry to be worth up to \$3 million annually.

Malaysia

- On February 22, 2013, Malaysia's Department of Veterinary Services (DVS) approved Canada's amended health certificate for the export of horses. In 2012, Malaysia imported \$335,142 worth of horses and related animals.

Myanmar

- On May 9, 2013, Myanmar's Ministry of Livestock and Fisheries approved Canada's proposed health certificates for the export of live swine and porcine semen to Myanmar, opening a new market for these products. In 2012, exports of live swine to Association of Southeast Asian Nations (ASEAN) markets totalled \$4 million. Exports of animal genetics (including porcine semen) to ASEAN markets totalled over \$130,000 in 2012.

Nepal

- In April 2013, Canada gained access for live goats and sheep. The market value is estimated at \$100,000 for live animals in genetics in the first year.

Philippines

- On August 2, 2012, the Philippines Bureau of Plant Industry confirmed that it had granted access to Canadian seed potatoes. Canada's exports in 2012 (\$112,311) represented 80% of the Philippine's seed potato imports.

Qatar

- On October 2, 2012, Qatar approved the import of sheep and goats from Canada. Canadian exports of agriculture and food products to Qatar in 2012 were worth almost \$3 million.

Switzerland

- On December 20, 2012, Canada sent a formal letter of arrangement to Switzerland recognizing their respective standards and controls for organic products as equivalent. Under this arrangement, Canadian organic agricultural products may include Canadian, Swiss or European Union organic ingredients. Canadian industry estimates that approximately 9,500 MT of organic grains (\$7 million) are exported annually to Switzerland.

Thailand

- On December 12, 2012, Canada successfully secured Thailand's renewal of systems approval for Canadian exports of breeding swine, thereby protecting access for Canadian exporters to a market worth \$2 million.
- Also, on December 12, 2012, Canada successfully secured Thailand's systems approval for Canadian exports of bovine and porcine semen, creating new opportunities for Canadian exporters to access a market worth \$400,000.

Ukraine

- On August 27, 2012, Canada secured new market access for live cattle to Ukraine. The access for Canadian purebred live cattle for genetics and breeding purposes is estimated to be worth close to \$12 million over the next three years.

United Arab Emirates

- On August 2, 2012, it was announced that the United Arab Emirates (UAE) had granted full market access to Canadian beef. The UAE has now fully re-opened its doors to Canadian beef. Canadian exports of beef from animals under thirty months of age (UTM) to the UAE were worth more than \$1 million in 2011. The industry estimates that full market access for beef could provide additional opportunities worth up to \$365,000 annually.

CONCLUSION

During the reporting period July 2012 to June 2013, the Government of Canada succeeded in re-opening, maintaining, and expanding market access for a broad range of agricultural and agri-food products. Key achievements included expanding beef access in Japan, to include beef products from animals under 30 months of age, which is expected to double the potential market value to \$150 million. The Government was also successful in opening markets and expanding access for Canadian beef in Kazakhstan, the United Arab Emirates, and China. The Government of Canada had a significant amount of success with market access for livestock, including securing new access for live cattle to Ukraine and Russia; and expanding access for livestock in Libya and Qatar.

Progress continues on important cross-sector issues. Canada has continued to seek a resolution to the Country-of-Origin Labelling (COOL) dispute with the United States, engage key partners to work on establishing international standards for low level presence (LLP), and advocate the adoption of international standards for ractopamine.

Resolving market access issues is a lengthy, comprehensive, and resource-intensive process. It requires sustained technical, political, and diplomatic efforts, as well as the ability to swiftly react to emerging issues and work collaboratively to achieve results. The coordinated interdepartmental-portfolio approach the Government of Canada utilizes to develop strategies and actions provides a great deal of support to the Canadian agriculture and agri-food sector and ensures opportunities for continued growth.

Looking ahead, the Government of Canada will continue to work with industry and the provinces and territories to identify key market access priorities. The Government of Canada will also seek to prevent trade disruptions, tackle unresolved market access issues, negotiate free trade agreements, and advance sales of Canadian agricultural and agri-food products on the international stage. The Federal Market Access Team is working to fully implement the Market Access Support System (MASS), a database introduced at the November 2012 Annual Market Access Meeting as part of the Single Window market access approach. The database will assist the portfolio in establishing work priorities, information management, and the mobilization of resources to manage market access files more efficiently and ensure the Federal Market Access Team is working on issues most beneficial to the sector's bottom line.

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