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News Feature

What you need to know about pork export markets and trade agreements

Canada and pork exports. No other pork producing nation in the world has the kind of dependence on exports that Canada does. As a result, says Martin Rice of the Canadian Pork Council, Canadian pork producers are in a class by themselves when it comes to something going wrong in exports.

In the last 20 years the market for Canadian pork has seen significant changes, Rice told his audience at the 2016 Banff Pork Seminar. Over two thirds of Canadian pork production is exported, excluding live pigs, and almost half of all production is going to non-U.S. markets. As well, pork consumption in Canada has declined during this period. This is an enormous exposure to risk on the export side of things.

Canada is currently the third largest exporter of chilled pork in the world. Mexico recently passed Canada in exports of frozen pork to Japan.

“The reason trade matters for the pork industry becomes clear when you take a look at all of the cuts and products that come from one carcass,” says Rice. There are products such as offal or variety meats that may go for pet food in Canada, because there isn’t a demand for them here. But in China or Japan, these are highly sought after and are priced accordingly.

“There is an enormous contribution to the cutout value of the carcass, to be able to sell these variety meats to markets that value them,” says Rice. This is why trade agreements are so important for the Canadian pork industry.

Current trade agreements

There are a number of trade agreements Canada has currently signed or is pursuing. The most important of these are the WTO, the Canada-EU agreement and the Trans Pacific Partnership.

COOL. The World Trade Organization is still a key agreement for exporters and is really the only means to address domestic subsidies and export issues. It was clear that Congress would not act until it was evident that Canada could and would take retaliatory measures. On December 20 Mandatory COOL was repealed for pigs, beef cattle, and pork and beef.

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Canada –EU. The EU includes over 500 million people with a per capita consumption of pork of 40kg (Canadian consumption is 22 kg). It includes a zero in-quota duty and provides immediate access for processed, prepared pork products. While this isn't going to be a large market for Canada in the short term, this is an opportunity for a million plus pigs that Canada doesn't currently have under the existing system.

Trans Pacific Partnership (TPP). “The paramount concern for the Canadian industry was that Canada be involved if Japan came into the negotiations. When they asked to join we saw that as a game changer for our own trade agreement and immediately saw it was essential to be in as well,” says Rice. Japan is a billion dollar market and important to Canada's export business. It has levelled the playing field and includes some advantageous access to Japan compared to non-TPP exporters particularly the EU and Rice says “we are quite confident that within five years of implementation, we will see additional exports to Japan in excess of \$300 million per year.”

Since 2010, Canada has almost doubled its exports of chilled pork to Japan, while competitors such as the United States and to a lesser extent, Mexico, have had marginal increases. “But this will not take care of us forever,” says Rice as he shared the population outlook for Japan. “I am not sure I have seen such a dramatic population decline in a country outside of a war or famine.” Estimates from the Japanese ministry show the population declining from the approximately 127 million people today, to around 80 million people in the next 40 years. This will impact demand for export products significantly.

As a founding member of TPP, Canada has the ability to negotiate terms with countries who want to join. For example advocating for removing remaining tariffs from South Korea on Canadian pork.

The rest of the world

Other Free Trade Agreements are currently in force, signed and / or concluded with countries including Canada-US, NAFTA, Israel, Chile, Costa Rica, Peru, Colombia (this is a big market), Jordan, Panama, Honduras, Korea, Ukraine (more political than market driven).

“Most of these agreements are very important for pork,” says Rice.

Lastly, the Canadian Pork Council is looking at ways to measure the value of special concessions that allow access to foreign markets such as the discontinuation of ractopamine or the use of the PQA program. They also want producers' input on what value they see in some of these practices and programs. Is it worth it to producers to focus on the export markets? Time will tell.