



STRATEGY OVERVIEW

Canada Canola Market Access Plan 2015

A comprehensive strategy maintaining and increasing access to current and potential markets for Canadian canola.



Agriculture and
Agri-Food Canada

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MARKET ACCESS IS FUNDAMENTAL TO THE SUCCESS OF CANADA'S CANOLA INDUSTRY.

- The Canola Council of Canada (CCC), with the support of the Government of Canada, is undertaking a comprehensive initiative to maintain and increase access to current and potential markets. It's called the *Canola Market Access Plan 2015*, or CMAP.

CANOLA IS A CANADIAN SUCCESS STORY.

- Canola adds approximately \$14.1 billion annually in economic activity to the Canadian economy.
- Canola is the No. 1 cash crop for approximately 43,000 Canadian farmers. The canola industry generates more than 216,000 Canadian jobs in production, transportation, crushing, refining and food development, manufacturing and service.
- Canada produces 20% of the world's supply of canola/rapeseed, but is responsible for 80% of its global trade.
- Canola is an achievement of the Canadian research community.

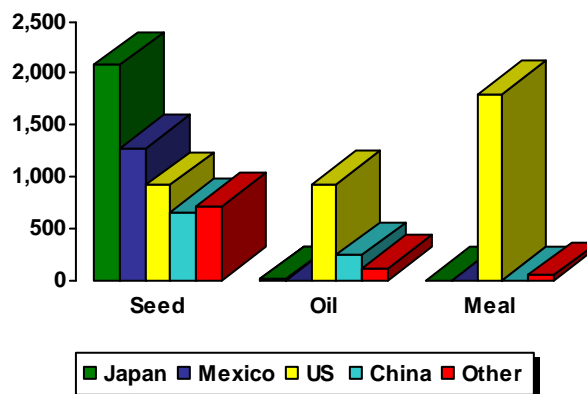
CANOLA GROWING GREAT 2015

- Demand for canola is growing at home and around the world due to its outstanding characteristics for human health, animal feed and biofuel.
- Canola Growing Great 2015 is an ambitious plan to take the Canadian canola industry to 15 million tonnes of sustainable market demand and production.
- Reaching these targets will generate an additional \$12.5 billion in economic activity.

<i>Canola Growing Great 2015 Goals</i>		
Element	2009	2015 Target
Production	9.1 million tonnes	15.0 million tonnes
Export Seed	5.2 million tonnes	7.5 million tonnes
Domestic crush	3.7 million tonnes	7.5 million tonnes

CANOLA IS AN EXPORT-BASED INDUSTRY.

- Canada exports approximately 90% of its canola production.
- Canadian canola relies heavily on significant sales to a relatively small number of markets. Four major markets (U.S. Japan, Mexico, China) make up the majority of exports of Canadian canola.
- An issue of growing importance to Canada's canola industry is restrictions on market access in major or potential export markets. This has serious consequences for Canada's canola farmers who make their living from Canada's most profitable crop.
- The four major market access issues for canola are biotechnology, tariffs, sanitary and phytosanitary (SPS), and sustainability. Achieving the *Canola Growing Great 2015* targets requires a highly coordinated approach to maintaining and increasing export markets by addressing those key issues.



THE CANOLA MARKET ACCESS PLAN 2015 IS A STRATEGY FOR MAINTAINING AND INCREASING ACCESS TO CURRENT AND POTENTIAL MARKETS.

- CMAP is a comprehensive approach to addressing export market issues that threaten the health of Canada's canola industry, and the livelihoods of Canadian canola growers.
- The objective of CMAP is to help the canola industry reach its *Canola Growing Great 2015* target of 15 million tonnes of sustainable production by 2015.
- The CCC represents the full canola industry value chain, it is well positioned to form strategic partnerships in order to address market access issues.
- Funded by Agriculture and Agri-Food Canada (AAFC) under the Agri-Flexibility Program and industry, CMAP is a four-pronged approach:
 - **A LONG TERM GLOBAL STRATEGY (LTGS)**
 - **A RAPID RESPONSE PLAN (RRP)**
 - **COUNTRY SPECIFIC MARKET ACCESS PLANS (MAPs)**
 - **A COMMUNICATIONS AND OUTREACH STRATEGY**
- This approach requires the ongoing involvement and participation of:
 - Foreign governments in key target markets
 - Foreign purchasers of oil, meal, and oilseeds
 - Officials from AAFC, CFIA, and DFIAT
 - Plant health officials and trade representatives in target countries
 - Senior staff from grain handling companies, processors and exporters

LONG-TERM GLOBAL STRATEGY

- The purpose of the LTGS is to identify the potential for new canola products in existing markets; analyze potential opportunities for seed, oil and meal in countries where we currently do not trade; determine potential threats and barriers to trade seed, oil and meal; and map out a plan to address all of these issues.
- This involves both extensive analytical work and a coordinated, ongoing approach to stakeholder consultations. That entails determining the most effective ways to keep government and trade representatives informed on key market access issues and aligning the activities of government departments and industry toward common objectives.
- Four major access need to be addressed:
 - Biotechnology
 - The goal is to ensure new canola GM events have synchronized approval within countries.
 - Tariffs
 - This is the original market access battleground.
 - Canola has succeeded in markets with predictable, low tariff environments, such as the U.S. and Mexico.
 - Unpredictable application of tariffs is generally declining in export markets; however, there remain vexing market access barriers such as export subsidies and differential export taxes.
 - Work on tariffs involves:
 - Monitoring tariff environments in all markets
 - Communicating priorities for tariff reduction
 - Eliminating tariffs that discriminate against canola relative to competitor oils and oilseeds
 - Collaborating with the Government of Canada on country-specific action plans
 - Sanitary and Phytosanitary (SPS)
 - Many export markets are increasingly concerned about food safety and plant protection issues. This includes increased concerns over pesticides, insects, plant diseases, and weeds; and over food safety, biodiversity and protection of domestic crops.
 - Work on pesticides involves:
 - Seeking harmonization of maximum residue limits (MRLs)
 - Government monitoring
 - Industry cooperation
 - Work on plant protection involves:
 - Government monitoring and early warning
 - International relationships with importing countries
 - Proactive risk assessment and issue management

Sustainability

- Sustainability has become a significant new dynamic in market access, where environmental concerns are a factor in maintaining and increasing markets.
- Canola scores well on major sustainability standards. For example, canola biodiesel reduces lifecycle greenhouse gas (GHG) by 90 percent compared to fossil diesel. Countries around the world are implementing biofuel sustainability policies and in that regard Canadian canola can be a leader.
- Canola rotation improves sustainability as a result of minimal tillage, reduced pesticide use and effective crop rotation practices that minimize the old practice of summer fallow.
- The challenge is to ensure a practical regulatory approach that address issues without impeding trade. The detailed analysis considers:
 - Existing information at AAFC, DFAIT, CFIA and in the trade on issues in each key market
 - Evolving trends in regulation and legislation affecting oilseeds trade
 - Regulatory and legislative action currently ongoing and planned in canola markets

RAPID RESPONSE PLAN

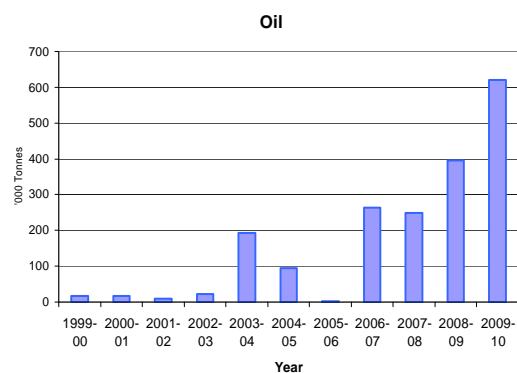
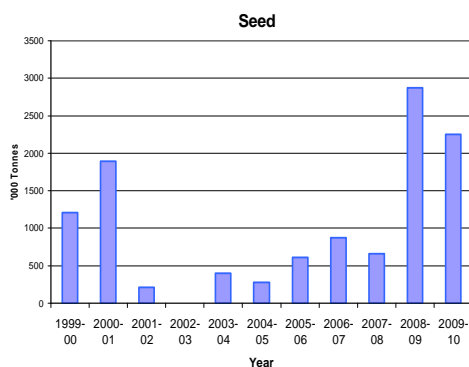
- When market access issues arise suddenly, as they sometimes do, it is critical that industry and government coordinate their efforts toward a positive resolution. That is the purpose of the RRP.
- The RRP is intended to be a protocol agreed upon in advance by all parties, to be implemented when canola faces an emerging market access issue. An effective RRP:
 - Outlines roles and responsibilities.
 - Identifies available resources which can be drawn upon when required.
 - Puts in place a framework for facilitating communications among a diverse set of stakeholders.
 - Analyzes information regarding key characteristics of markets for Canadian canola in order to better anticipate an access issue.
- With a clear understanding of roles and responsibilities, industry and government can be poised to move swiftly and efficiently when necessary.

COUNTRY-SPECIFIC MAPS

- The purpose of the country-specific MAPs is to chart the initiatives necessary for secure, reliable access to key markets.

China MAP

- As a result of enormous economic growth, China has a near insatiable appetite for oilseeds.
- Canadian canola exports to China in 2009:
 - Seed: 2.2 million MT worth approximately \$1 billion
 - Oil: 620,000 MT worth approximately \$530 million
 - Meal in 2009-10: 428,000 tonnes worth approximately \$110 million



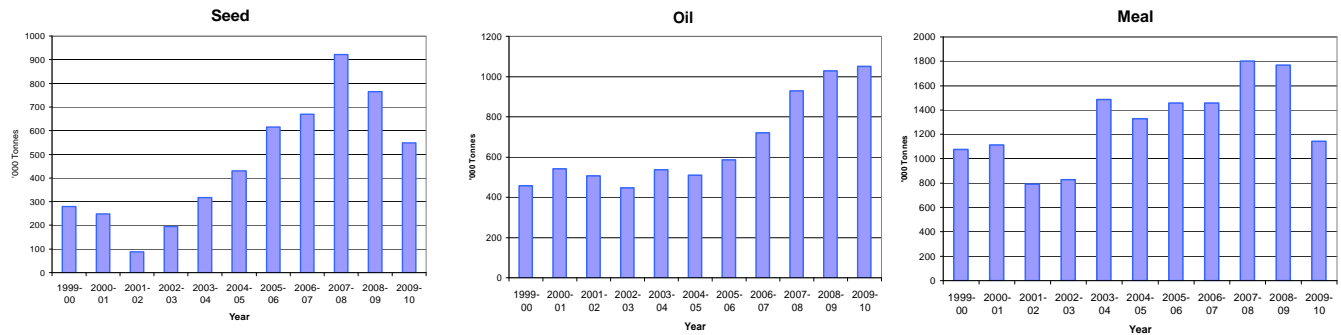
- There is sensitivity to domestic rapeseed producers and to rural economic and social stability, which makes China a challenging market.
- The goal is to develop China as a predictable 2-million-tonne market. This will require an improved tariff environment, and market entry initiatives for oil and meal.
- The strategy for achieving this goal is to build an appreciation of the value of canola in China, and to help China develop its domestic canola industry. This involves identifying new opportunities and potential market demand for canola products in the Chinese market.

EUROPEAN UNION MAP

- The European Union (E.U.) is the world's largest single market and trader and the world's largest rapeseed producer.
- In this market there is both a protective regulatory environment and an anti-GMO culture.
- Canada and the E.U. agreed to close the file on Canada's long standing World Trade Organization (WTO) challenge regarding GMO approvals but Canada has little confidence that there will be any improvement in the approval process when new traits come forward. The challenge will be to meet new sustainability criteria for biodiesel (RED), and to gain market access for biotechnology products, including:
 - Discontinued products
 - Low level presence of events approved in some jurisdictions but not the E.U.
 - Timing and predictability of approvals
 - GM labeling regulations
- Concerns with environmental sustainability are driving higher mandates for biodiesel. In 2009/10 Canada exported 95,000 MT seed to the E.U. for biodiesel. Additionally, Canada exported 450,000 MT of canola seed to the United Arab Emirates (UAE), the majority of which was re-exported as oil to the E.U. biodiesel market.
- The strategy for the E.U. is to develop relationships with canola product importers, government and industry to build a protocol for market barriers; identify opportunities and potential demand for canola products in the E.U. market – for seed, meal and oil; and determine non-trade barriers for market entry of canola products, and develop a strategy to create market pull.
- The main forum for advocating Canadian canola industry interests is the Canada-E.U. Comprehensive Economic Trade Agreement (CETA) negotiations.

United States MAP

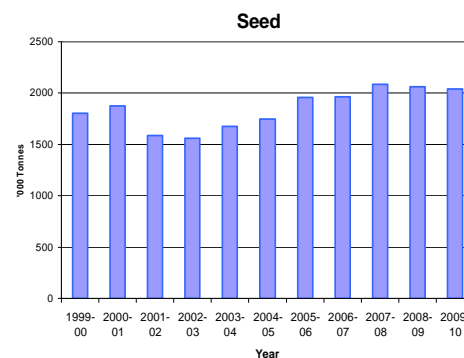
- The U.S. is Canada's most valuable market including substantial volumes for all three main commodities – seed, oil and meal.
- Canadian Canola exports to the U.S.:
 - Seed: 549,000 MT worth approximately \$250 million
 - Oil: 1.05 million MT worth approximately \$900 million
 - Meal: 1.1 million MT worth approximately \$280 million



- The challenge is to maintain and grow the U.S. market in face of current stresses, including the economic downturn, the increased protectionist attitude of U.S. government, increased food and feed safety requirements, and U.S. biodiesel production over capacity.
- The strategy is to ensure canola meets the sustainability requirements for biodiesel production; ensure full access for canola meal; ensure canola products meet current and future food and feed safety policies; and demonstrate the value of canola products to the U.S. economy.
- On pesticides, the goal is harmonization of residue limits.

Japan MAP

- Japan is a long-term, consistent customer of Canadian canola.
- Canadian Canola Exports to Japan:
 - Seed: 2.0 million MT worth approximately \$920 million
 - Oil: 8,000 MT worth approximately \$6.8 million



- The challenges are tariff differential limits oil exports, issues around GM approvals and testing, and GM policy and regulations, as well as maximum residue limits on pesticides.
- There have been increasing concerns about food safety, and the change in government may mean less predictability.
- On the other hand, there is potential in Japan for a shift in government regulations/policies with respect to GM crops. This could open new opportunities, so the goal on biotechnology is to ensure the success of new GM approvals based on a science-based system.

- To maintain Japan as an important market, the CCC conducts annual consultations with the Japanese canola industry and government to discuss crop quality, trade issues and transportation.
- The strategy in Japan is to continue to address industry issues through the consultations and pre-consultations; support the acceptance of canola juncea, ensure new GM canola traits get approval in Japan, and continue to work toward harmonization of MRLs.
- For tariffs, the WTO negotiations are the only means of achieving tariff reduction.

Mexico

- Mexico is a consistent seed customer and canola currently has a 30% market share of total vegetable oil. Canadian canola exports to Mexico:
 - Seed: 1.2 million MT worth approximately \$560 million
 - Meal: 214,000 MT worth approximately \$50 million
- Mexico is a growing market for healthier oils assisted by a free trade commercial environment, and promotional support from Canada's canola industry and government.
- High rates of obesity, heart disease and diabetes are a major concern, making canola oil a good fit for the market.
- While this is a market with great potential for Canada, growth in our canola trade with Mexico leads to more dependence on the market and more susceptibility to potential trade action.
- There is a growing sensitivity of food and feed safety, and an evolving regulatory environment.
- The strategy in Mexico is to demonstrate the value of canola products to the Mexican economy, to ensure that Canadian canola GM approvals are recognized, and to conduct analysis to identify any possible SPS issues.

Canada

- The domestic market for canola has room to grow, and the CCC continues to promote canola through the CanolaInfo program.
- But the real market access issues in Canada involve achieving in-country co-ordination on export trade issues. On biotechnology, that means supporting a science-based approval system and achieving agreement on low level presence. On sustainability, it means developing metrics. On food and feed safety, it means aligning regulations. On pesticides it means joint reviews of pesticide registrations and analysis of canola production practices.
- In order to meet export market requirements and therefore maintain and expand our export markets, there needs to be a continuing focus on raising awareness of issues and practices at the grower level that could block access to important export markets.
- The focal point of this effort is the Export Ready program, which reaches out to farmers with information about issues that impact market access: deregistered varieties, malathion, pesticide use and certain agronomic practices.

Other Markets

Seed

- **Pakistan**, which imports 350,000 MT of seed per year, has a differential tariff more favorable for seed.
- The **UAE**, which imports 450,000 MT of seed per year, has no market access issues.

- **Bangladesh**, which imports 100, 000 MT of canola seed per year, has a differential tariff more favorable for seed.

Oil

- **South Korea** imports 30,000 MT of oil per year. In 2009, South Korea passed new legislation respecting regulation of living modified organisms (LMO) which will substantially extend the timing and resources required to secure approvals for new GMO traits.
- While South Korea is not a major canola market, it has potential, and it is one of the jurisdictions covered by the CCC's market access policy through which industry delays introduction of new GMO traits until they are approved in all major markets. Eliminating South Korea from the policy represents a step backward in securing a predictable, harmonized process for the introduction of new technologies.
- Canada is trying to negotiate a free trade deal with Korea. The E.U. has successfully completed a deal and Korea is hoping that the E.U. deal will encourage the U.S. to negotiate. Canada needs to keep its foot in the door as other nations secure access to this market.
- The strategy in South Korea is to focus on strategic partnerships between Canada and other exporting countries in order to deal with Korea's regulatory system. This will complement the free trade negotiations.
- **India** imports 1, 000 MT/year but is a potentially large market.
- Market access is complicated by a myriad of issues: unpredictable tariff environment, SPS / weed seed issues, and GMO issues.
- The CCC has conducted promotion efforts in India, and Canada and India will launch Free Trade Agreement (FTA) discussions.
- The strategy in India is to ensure Canada's canola sector is prepared for temporary tariff reduction, devitalization required for seed due to weed seed issues, and an unpredictable GM approval system.

Meal

- **South Korea, Thailand** and **Vietnam** import about 150,000 MT of meal per year in total. There are no significant market access issues.
- The Asian markets of **Taiwan, Thailand, Indonesia, Philippines** and **Vietnam** have been markets for Canadian meal and oil in past years. As Canada's crush capacity increases, there is a need to look outside our traditional markets. Over the long term, with increased crushing capacity, these are markets which Canada will be able to serve consistently.
- That said, market access in these countries can be challenging and unpredictable on two fronts:
 - Tariffs: Canadian canola attracts high tariffs in some of these markets and there is significant tariff escalation in select markets. The strategy involves a country-by-country review of tariff and non-tariff issues in each country, with recommendations on steps to gain market access.
 - GMO: Regulatory regimes in developing Asian nations are rudimentary and can be a barrier to timely product approvals. The strategy is....

COMMUNICATIONS AND OUTREACH

- Communications and outreach threads through the entire CMAP, supporting all efforts to secure access to Canadian canola's export markets.
- The purpose of the communications and outreach strategy is to inform canola growers, governments and foreign markets on an ongoing basis about the development and implementation of CMAP.
- This requires liaising closely with CCC core funders, developing resources and tools to convey results of the country-specific MAPs, and sharing information with other stakeholders in Canadian agriculture.
- The wide range of communications tactics includes media relations, partner websites linked to the CCC site, proactive speaking engagements, regular e-message updates, direct mail of information materials, and other means to deliver key messages.
- An important component of the strategy is the development of infrastructure for Virtual Country Portfolios containing canola trade statistics, market demographics and trends, barriers and/or opportunities for canola products.
- Other agricultural sectors may be interested in approaches similar to CMAP, so the communications and outreach strategy will support the effective sharing of information with other sectors of Canada's agriculture industry.