

Emerging Markets, Agric Trade & Canada's Relative Performance

Growing Canada's Agricultural Economy: The Role of Trade

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- ▶ How will rising economic opportunity in Emerging Markets (EMs) drive Canada's agricultural trade?
- ▶ Key Points:
 - ▶ EMs & Developing countries expected to grow at double the rate of Adv countries for next 5 yrs.
 - ▶ EMs will lead shift in global food demand & trade towards high valued, high processed products.
 - ▶ Is Canadian Agric well positioned for the new dynamics of international markets?

	contribution to global growth 2006-12
China	37%
China & India	50%
EMs & Developing	80%

Table Source: Conference Board, Global Econ Outlook

Top 10 Emerging Markets: BRIC is now BRIICS

- ▶ EMs are nations undergoing rapid growth & industrialization.

China

Brazil

India

Russia

Indonesia

South Africa

Mexico

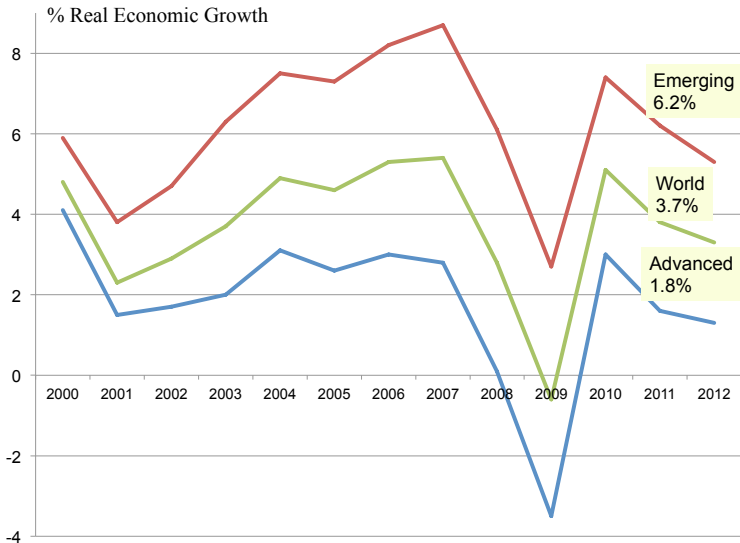
Argentina

Vietnam

Turkey

Source: Global Intelligence Alliance

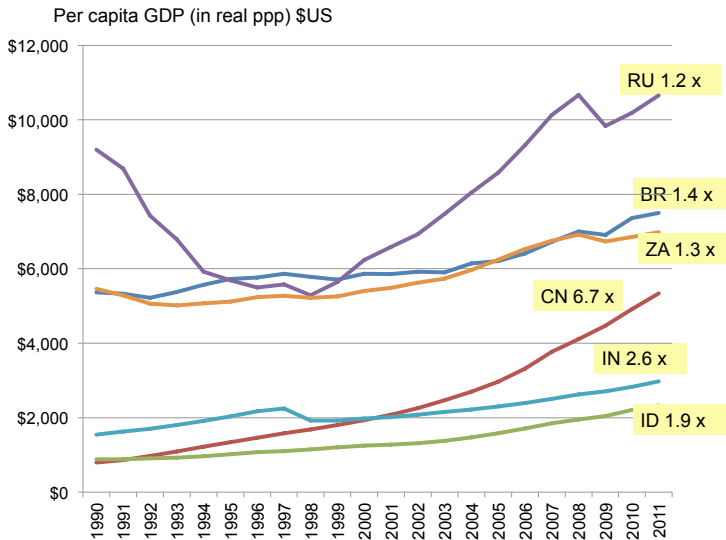
GDP Growth Rates



Source: IMF



Per Capita GDP BRIICS



Source: IMF



Previous Studies

- ▶ Anita Regmi et. al. (*USDA, ERS, 2005*).
 - ▶ Trade in processed foods is stable as % of world agric trade.
- ▶ Pete Liapis (*OECD, 2011*).
 - ▶ Ag imports by **Emerging Markets-EMs** is growing as share of global trade.
 - ▶ Imports of **Processed Agric Commodities-PACs** are growing fastest among EMs.
 - ▶ Brisk trade in meats, sugar, dairy, fats & oils, & beverages.
 - ▶ Processed products account for 50% of value of ag trade.
- ▶ Zahoor Haq and Karl Meilke (*JAE, 2010*).
 - ▶ China & Russia (among the BRICs) are the agrifood import growth markets of the future.
- ▶ Rick Barichello (*CJAE, 1999*); Danielle Goldfard (*Conf. Board., 2009*)
 - ▶ WTO ruling that Canada was dumping dairy exports (1999) "cost" the Canadian industry.

Notable EM Agric Importers 2011

	Bil. \$ per year
China	144.7
Russia	40.8
Mexico	29.2
India	22.6
Indonesia	22.4

Source: Compiled from UN Comtrade database

Top Exporters of Processed Ag. Commodities (PACs), excluding intra-EU trade, 2009-2011 avg

Country	Exports in Bil. \$US	Share (%)
EU-27	60.6	21.6
U.S.	33.9	12.1
Brazil	24.6	8.8
China	19.2	6.8
New Zealand	13.3	4.7
Canada	12.4	4.4
Australia	11.4	4.1

Source: Compiled from UN Comtrade database

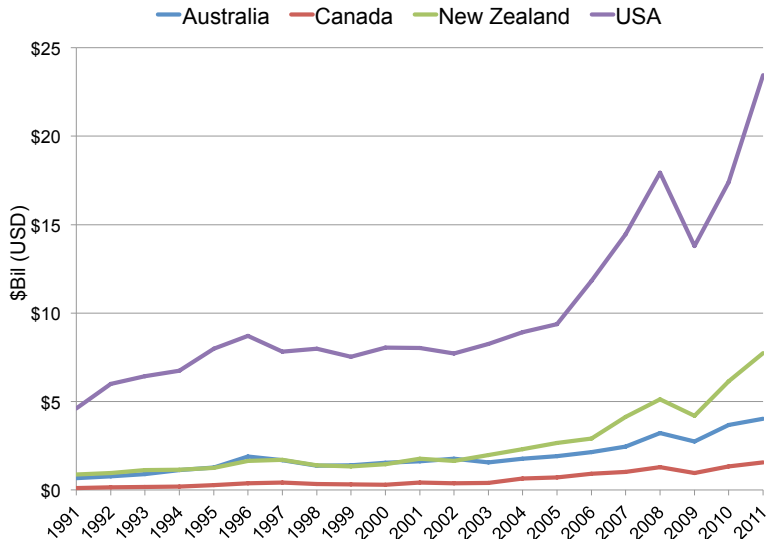
Canada's Exports of Processed Agricultural Commodities (PACs) in 2011

- ▶ Canada's PAC exports to all destinations valued at \$13.7 B (USD)
- ▶ USA (71%), Japan(9%) & Russia (3%) account for >80% of Canadian PAC exports

Product	Share	Product	Share
Fresh, chilled meats	29.2%	Sugar, sweeteners	6.6%
Other preparations	14.4%	Beverages	4.2%
Extracts, essences, broths	11.2%	Processed grains	3.7%
Prepared vegetables	7.3%	Flour preparations	3.1%
Chocolates	7.1%	Prepared fruit	2.2%

Source: Compiled from UN Comtrade database (2012)

PAC Exports to EMs



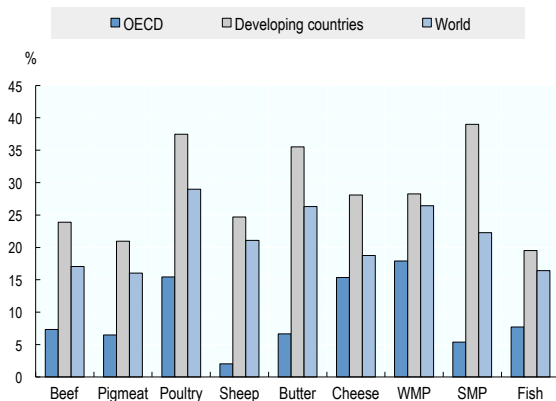
Canada's Relative Trade Performance

- ▶ Canada's Ag exports lagged behind growth in world trade, partly due to its focus on bulk commodities, the slowest growing category.
- ▶ Supply Managed Cdn agric sectors have focused on rel. small domestic market, foregoing global markets.
- ▶ World PAC exports to World (EMs) 45% (36%) of total Ag exports in 2009-11
- ▶ Canada PAC exports to World (EMs) 33% (11%) of total Ag exports in 2009-11

Animal Products account for relatively large share of Processed Agric Commodity Trade: Lets turn to that

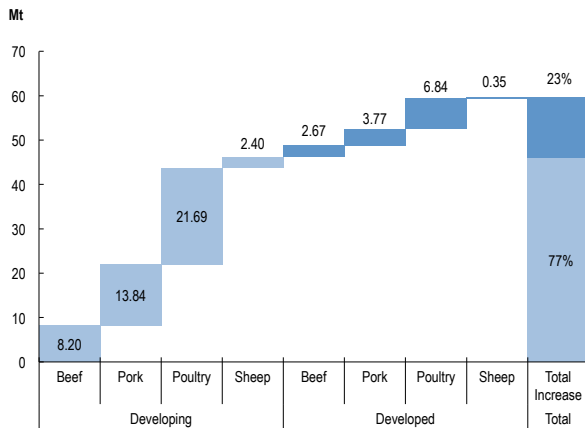
- ▶ *USDA & OECD* trade forecasts for animal products are similar.
- ▶ Drivers include population growth, income growth & urbanization.
- ▶ Global demand for poultry will remain strong - trade expected to expand by 30% by 2021 (*USDA*).
- ▶ Dairy- trade in SMP is expected grow 34% by 2021, while global cheese & butter trade is projected to increase by 27% and 20%, respectively (*OECD*).

Outlook for Consumption Growth to 2021



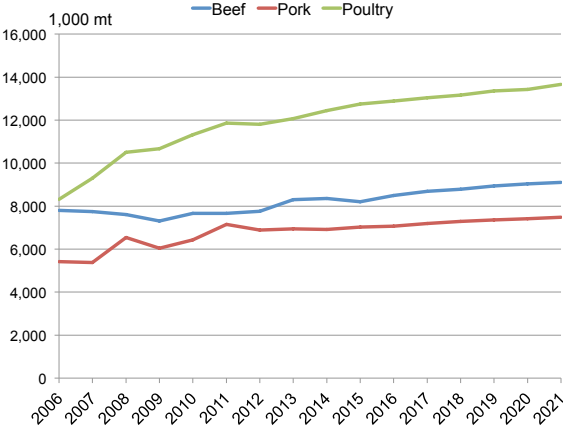
Source: OECD FAO, 2012

Outlook for Meat Production to 2021



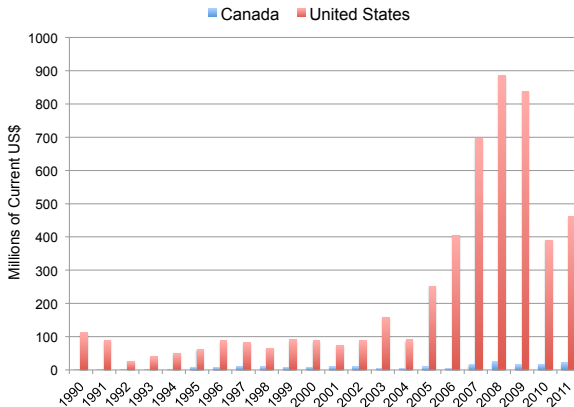
Source: OECD FAO, 2012

Meat Trade Forecast to 2021



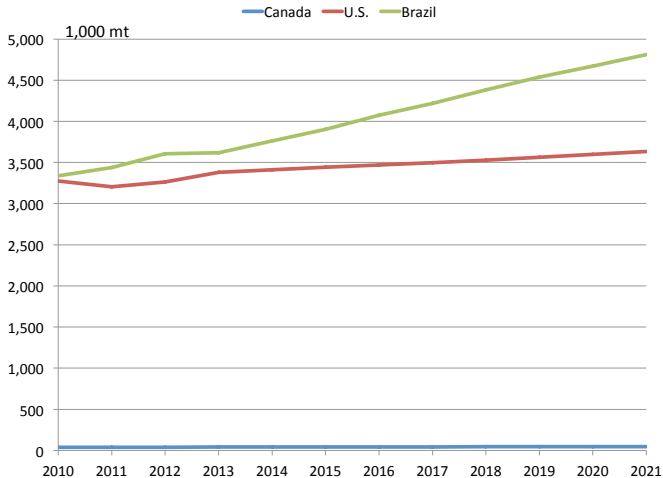
Source: OECD FAO Agric Outlook 2012

Canada v U.S. Poultry Exports to EMs



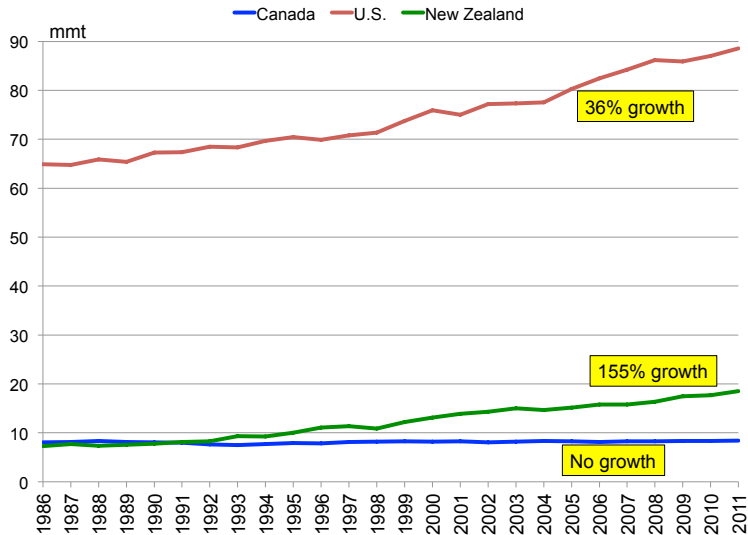
Source: Compiled from UN Comtrade database

Projected Poultry Net Exports to 2021



Source: USDA

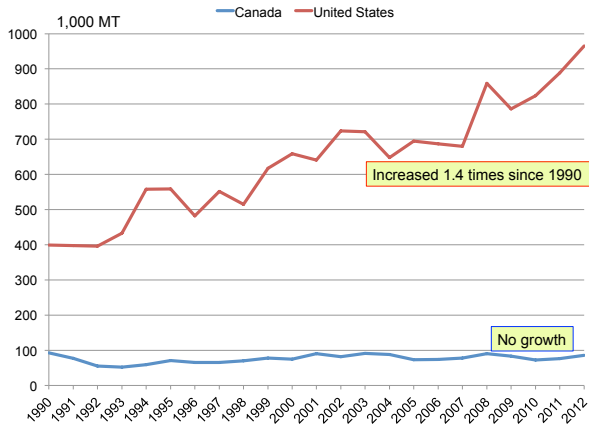
Historic Milk Production



Source: OECD

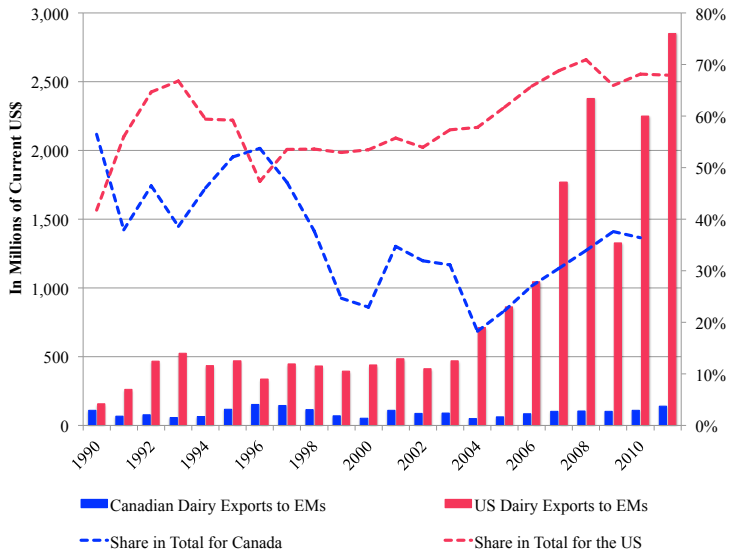


Canada v U.S. Nonfat Milk Powder Production



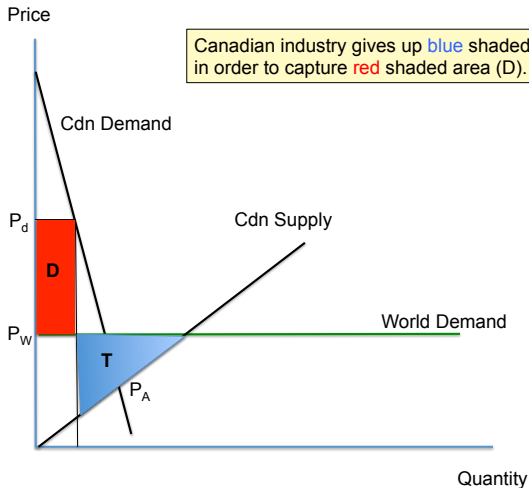
Source: PS&D View, USDA

Canada v U.S. Dairy Exports to EMs



Source: Compiled from UN Comtrade database

Basic Economics of Supply Management with Foregone Export Opportunities



Conclusions

- ▶ BRICs account for 40% of the world's consumers. Their growing middle class will create dynamic ag trade markets.
- ▶ Canada's export performance in Processed Ag to Emerging Markets is virtually stagnant.
- ▶ Despite an apparent comp adv in industrial animal agric, Canada is not positioned to expand exports of poultry & dairy.
- ▶ What are the challenges & opportunities facing Canada in EMs?
- ▶ Is domestic policy holding back Canada's agric. export performance?