



Canadian Pork Council
Conseil canadien du porc

Discussant Remarks on Colin Carter's presentation on Emerging Markets

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Canada's Pork Industry: An Overview

- Approaching \$4 billion in farm revenue
- Over \$3.5 billion in exports:
 - Live exports \$350 million
 - Pork and pork products \$3.2 billion
 - 30% to the United States in 2012 (vs. 65% 20 years ago)
- Over two-thirds of hog production is destined for exportation (up from 50% a decade ago)
- Farms with pigs; 7,330 as of July 1, 2012 (down from 62,600 in 1976)

Operating in the Post-MFN Era

- **MFN bound tariffs losing relevance**
 - Example: certain frozen pork into South Korea (02032900, MFN tariff is 25%)
 - Canadian exports in 2011 – \$137.5 million
 - (Total Canadian pork exports to Korea were \$233.4 million)
 - Canadian tariff disadvantages relative to our competitors

	2011	2013	2015
E.U.	2.1%	10.5%	18.8%
Chile	17.8%	22.6%	25.0%
U.S.	0.0%	13.0%	21.0%

Canada having to look elsewhere for growth

- **CUSTA was very much about securing access to our dominant customer – the United States**
 - Canada initially reluctant to enter talks with Mexico
- **U.S. no longer the single engine which sustains growth in the Canadian economy; similarly for the hog and pork sector**
- Thus our interest in Canada's trade negotiations agenda, in particular:
 - Canada-EU
 - Korea
 - Canada-Japan
 - TPP

Emerging markets – Some Differences

Opportunities:

- **Rapid per capita income growth**
- **Increased allocation of food spending on protein, and particularly animal products**
- **Accession to WTO (bound tariffs, adoption of codes, availability of third-party dispute settlement)**
- **Efficient scale requires ever larger total market access**
 - Canadian market alone cannot sustain cost-competitive production or processing levels
- **Diversification: the more different markets, the greater the opportunity to maximize value of various cuts and by-products**

Emerging markets – Some Differences (Con'd)

Challenges:

- **Transition to the multilateral system not necessarily immediate (e.g., notification of changes in technical barriers, respect for WTO reference body standards such as Codex)**
 - (We aren't perfect either.)
- **Tendency to import based on satisfying internal need rather than exploiting comparative advantage**
 - Import levels fluctuate greatly, reflecting variation in domestically produced supply
 - Political sensitivity about imports (e.g., China and pork)
 - ▶ Therefore need variety of such markets to avoid overexposure
- **New competitors also 'emerge' from within emerging market countries. They need to have stuff to sell in order to grow.**
 - For pork, such new competitors include Brazil, Chile

Canada has no choice but to get into the Game

- **Biggest part of global economic growth is outside of the OECD clan**
- **Need to be patient**
 - Canada sold pork to South Korea in 1979. Then the door shut and didn't really open again for well over a decade (coincided with Uruguay Round), but the opening became very significant.
- **In time, pursuit of economic self-interest through food imports can become politically acceptable:**
 - England in the 18th century
 - Japan in the 1960s
 - South Korea in the 1990s
- **Food-importing countries seek diversity of suppliers to avoid being captive market and to maximize buyer leverage**
- ▶ ***Canada needs to be one of those alternative suppliers***