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**THE MINISTER OF INTERNATIONAL TRADE DIVERSIFICATION ROUNDTABLE MEETING WITH
PORK STAKEHOLDERS IN MANITOBA**

August 6, 2019 at 13:30, 330 St. Mary Avenue Winnipeg, Manitoba

TOP LINE MESSAGES

- Committed to improving the competitiveness of the Canadian meat industry and to working with China to restore trade in pork and beef.
- Will work to restore full market access for Canadian products to China, while advancing Canada's Trade Diversification Strategy.

MEETING CONTEXT

- You and Minister Bibeau met with leaders of the pork and beef industry in Dorval, Quebec on July 3. The roundtable discussion gave stakeholders the opportunity to share information, and have a productive exchange about current market access issues with China. This meeting will provide you with an opportunity to continue the discussions with pork stakeholders in Manitoba. You will be joined by a mix of producers and exporters. Currently, five participants are confirmed:
 - Crystal Spring Hog Equipment (producer)
 - The Progressive Group (producer)
 - Hylife (exporter)
 - Two participants from Manitoba Pork (exporter)
- The objective of this meeting is to provide Manitoba pork stakeholders with an update on China market access, reiterate the government's commitment to resolve the issue, and discuss the options for trade diversification.
- In 2018, China represented Canada's third largest pork export market (valued at \$514 million), and fifth largest beef export market (valued at \$97.3 million). In 2018, Manitoba exported just over \$110 million in pork products to China. It does not export any beef to China.
- You will be accompanied by Deborah Boyce, Trade Commissioner, Prairies & Northwest Territories Region.

CANADA ASKS

- Seek stakeholder's perspective on the challenges, and solicit views on potential solutions to resolve the market issues with China and identify opportunities for market diversification.

TALKING POINTS

BEEF AND PORK EXPORTS TO CHINA

- The Canadian Food and Inspection Agency (CFIA) identified an issue involving inauthentic export certificates specific to exports of pork and beef products to China, which has been referred to the RCMP.
- Our focus is on resuming exports of Canadian meat products to China. CFIA officials are working with Chinese officials to resolve this issue and resume trade as soon as possible.

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RESPONSIVE – What impact will this issue have on Canada’s pork and beef sectors?

- *We are doing everything we can to maintain business as usual for the Canadian pork and beef sectors. All of our other markets remain open (accounting for about 90.7 percent of total Canadian meat product exports).*

RESPONSIVE – How will this affect our relationship with China?

- *Canada views transparency as an important principle of international trade that helps preserve a country’s credibility and the confidence of markets. One of our top priorities is to maintain the trust of our international trading partners and to keep markets open to Canadian products.*

Responsive - Beef and Pork Tariff-Rate Quotas and Other Access

- *There is a significant improvement over the pre-CETA market access for Canadian beef and pork exporters.*
- *We continue to raise concerns with the EU’s CETA beef and pork TRQ implementing regulation and import licensing system.*
- *We have shared with the EU that Canada’s producers and processors are increasing production in order to meet all EU import requirements.*

CPTPP

- **Exporters are benefiting from the CPTPP, with beef and pork exports to Japan up 88.5 percent and 4.3 percent respectively for the first five months of the Agreement.**

CUSMA

- **The Prime Minister has indicated that Canada intends to move in tandem with the U.S. and that Parliament could be recalled to consider the implementing legislation if the U.S. process moves forward.**

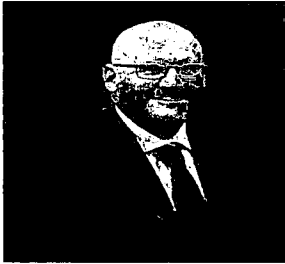
QUESTIONS

- **What programs or services have been most effective in supporting industry growth?**
- **What is required to capitalize on new opportunities under recently signed trade agreements?**
- **What are the greatest opportunities for market diversification?**

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BIOGRAPHY

Mr. Claude VIELFAURE, President, HyLife & Canadian Pork Council Board Member



- Mr. Vielfaure is the President of HyLife, a global company with over 2,000 employees and facilities across Canada, China, Mexico, Japan, and the United States.
- He participates at the national level by sitting on the board of directors for the Canadian Pork Council and Manitoba Pork Council, and participates in the Pork Value Chain Roundtable.

Mr. Kelly SIMPSON, Site Leader, Maple Leaf Foods, Winnipeg



- Mr. Simpson has been site leader at the Maple Leaf Foods Winnipeg facility since 2013. Prior to that he was a plant manager for Maple leaf in Moncton, NB, and other Maple Leaf roles since 1998.
- Maple Leaf Foods is Canada's largest value-added protein company, with fresh and prepared meat operations, and have added new processing and packaging equipment for the bacon production line at the Maple Leaf Foods (MLF) production plant in Winnipeg. The bacon production line expansion project is valued at more than \$5.9 million.

Mr. Jonathan SAWATZKY, Director of Finance, Maple Leaf Foods



- Mr. Sawatzky has been working at Maple leaf foods for over 17 years. For the past 11 he has been the Director of Finance. Previously, he was a Commodity Accountant for Agricore United.
- Mr. Sawatzky has significant experience in Lean manufacturing/accounting, Six Sigma and change management initiatives. He has financial business expertise in food processing, manufacturing, and grain commodities.

Mr. Andrew DICKSON, General Manager, Manitoba Pork Council



- Born and raised in England, Mr. Dickson holds a B.A Science degree in Agriculture from the University of Reading, England and M.A in Public Administration from the University Of Manitoba in 1990.
- He became General Manager of the Manitoba Pork Council in February 2005.
- He has more than 30 years of experience in agricultural extension, legislative and regulatory policy development and rural economic development, especially dealing with the livestock industry. From 1975 to 2005, Mr. Dickson worked for the Manitoba government in Agriculture, Food and Rural Initiatives.

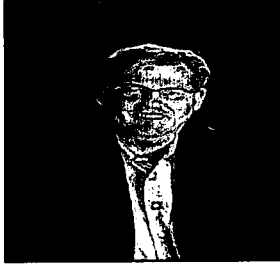
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Mr. George MATHESON, Manitoba Pork Council – Chair



- Mr. Matheson, with his family has been farming with integrity and passion for over 30 years, just 15 minutes outside of Winnipeg where they raise free range pigs and chickens and sell directly to customers.
- In 2015, he was chosen as Manitoba Pork Council Chairperson by the organizations board of directors and is currently serving in that same position.

Mr. Dickson GOULD, President, The Progressive Group



- Mr. Gould holds an Agriculture Economics degree, a Professional Agrologist Designation and was a former Executive Council Member of Maple Leaf Foods
- The Progressive Group prides itself in offering business management services and livestock production expertise in the areas of human resource management, payroll, pension, & benefit administration, veterinary services and data management.
- The Progressive Group, owns and operates a Niverville hog company with a production base of about 35,000 sows, and purchased a federally inspected meat packing company from Winkler's Meats on December 31, 2008. The packing facility still operates under the Winkler Meats name.

Mr. Jonathan KLEINSASSER, Managing Director, Crystal Spring Hog Equipment



- Mr. Kleinsasser has been the Managing Director for Crystal Spring Hog Equipment for 41 years.
- Crystal Spring Hog Equipment is a leader in providing innovate solutions to the Manitoba pork industry through its line of specialized equipment including feeders, stalls, lifts and crates.

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BACKGROUND

China Pork Access

In 2018, Canadian pork exports to China were valued at \$514 million, representing Canada's third largest pork export market.

Canada has been actively working with China to improve both pork and beef access. A longstanding issue for both the Canadian pork and beef industry has been to obtain access for chilled/fresh meat. In December 2017, the Government of Canada announced several positive outcomes from the Prime Minister's December 2017 visit to China, including launching a pilot project for the export of Canadian chilled/fresh beef and pork. In April 2018, the Canadian Food Inspection Agency (CFIA) and the General Administration of Customs of China (GACC) reached final agreement for the approval of seventeen Canadian establishments authorized by China to export chilled/fresh beef and/or pork under the pilot project. CFIA has since been working with GACC to improve further terms of access for Canadian beef and pork including reaching a final agreement to expand the number of Canadian establishments eligible for export of chilled/fresh meat.

In late December 2018, the Canadian pork industry raised initial concerns that Chinese customers were shying away from importing Canadian pork due to the political situation. However, this was a relatively short-lived concern and we have not been notified of any more recent concerns. The Canadian beef industry has similarly conveyed that they are not noticing any reluctance of Chinese customers to buy Canadian beef at this time. However, both industries appreciate that it is not business as usual with respect to advancing market access issues, and therefore recognize that previous efforts to improve our access are effectively on hold.

On June 14, 2019, the CFIA was advised by Chinese officials that China temporarily suspended one Canadian pork establishment after a shipment of frozen pork tongue products tested positive for the presence of ractopamine. Once the notice was issued by China, the CFIA immediately launched an investigation. As part of both the investigation and information provided by Chinese authorities, the CFIA was able to determine that this was an inauthentic certificate.

Given that the true origin of the pork products was unknown, and out of concern that there may be a food safety issue for China, the CFIA agreed to implement China's emergency precautionary request to not issue certification for pork and beef exports to China. This became effective at close of business on June 25.

The Embassy of Canada in Beijing has been informed by Chinese importers that shipments already in China and with certificates issued prior to June 25th are now being processed and clearing Chinese customs.

Chinese authorities have also indicated that they will make decisions on allowing shipments with certificates issued on June 25th and already en route to China on a case-by-case basis. There are about 60 shipments with certificates issued on June 25th. The Embassy of Canada in Beijing is working with Chinese authorities to process these shipments.

On July 29, 2019, the CFIA sent a letter to the General Administration of Customs China (GACC) outlining actions taken by Canada, along with a consolidated information package. In the letter, Canada requested to resume issuing export certificates for pork and beef products to China.

Trade Diversification

The 2018 Fall Economic Statement announced a \$1.1 billion investment to support Canada's Trade Diversification Strategy, with a target of increasing Canada's overseas exports by 50 percent by 2025. The Strategy aims to assist Canadian businesses – of diverse sizes and sectors – maximize their growth by capitalizing on more economic opportunities abroad, particularly in markets covered by FTAs such as CETA and the CPTPP. The Strategy supports export growth and diversification by: 1) accelerating targeted investments in the transportation infrastructure that links Canada to global markets; 2) providing Canadian businesses with new resources and tools to implement effective export strategies; and 3) enhancing trade services for Canadian exporters. GAC-led elements of the Strategy (comprising \$289.5

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million over five years) were approved by Treasury Board on February 28, 2019. Implementation is underway.

The Fall Economic Statement also included \$25 million over five years to enhance the federal capacity to support agriculture and agri-food exports. These resources are being implemented by AAFC. A portion of the funding has been dedicated to deploying new Trade Commissioners focused on promoting agriculture and agri-food exports in priority overseas markets such as Vietnam, the Philippines, India, and South Korea. GAC is working with AAFC to implement this initiative.

CPTPP Accessions and Beef

The CPTPP is designed to grow through the accession of new economies, thereby increasing the economic benefits for Canada through the expansion of preferential access to other markets. Canada supports the expansion of the CPTPP through accession of economies that are able to meet the CPTPP's rules and ambitious market access commitments. To date, Thailand, the United Kingdom, South Korea and Taiwan have expressed interest in accession, but none have formally applied. South Korea has recently indicated that because of trade tensions with Japan, it will not seek to accede to the CPTPP in the near term. The Manitoba Beef Producers are supportive of more economies acceding to the CPTPP, to give Canadian products a market advantage and to bring tariff treatment for beef products in line with that for U.S. competitors.

CETA

Since taking effect, CETA has delivered concrete results for Canada. Within the first twelve months, CETA has sparked \$1.9 billion in additional Canadian merchandise exports to the European Union, an increase of 4.5 percent compared to the same period a year earlier. In 2018, two-way merchandise trade between Canada and the EU grew by a total of 9.4 percent and our two-way trade in services grew by 7 percent.

In 2018, Canada's exports of pork to the EU went up 9 percent (from \$4.3M to \$4.7M) and our beef exports rose by 120 percent (from \$9M to \$20M). Despite those gains, the Agriculture sector has expressed unhappiness with CETA implementation, often linked to EU non-tariff barriers.

Canada has been pressing the EU on some outstanding implementation issues including Agricultural-related issues, which are being discussed in the relevant CETA committees and by AAFC senior officials (EU's hazard-based approach to pesticide renewals, veterinary medical products regulation, EU country of origin labelling, and beef and pork TRQs).

Canada is of the view that the EU's CETA beef and pork TRQ regulation and import licensing system are inconsistent with the negotiated text as they do not allow importers to obtain permits automatically on demand. The EU Commission could improve of the quality, accessibility and availability of information on quota administration and thereby provide increased opportunity for Canadian exporters to take advantage of CETA's benefits.

Canada is counting on the EU to work towards greater transparency around its administration of beef and pork tariff-rate quotas (TRQs) and its lack of consistency with the negotiated CETA text. Canada has raised this issue with the EU a number of times through various CETA forums and bilateral discussions, including at the ministerial and senior officials levels.

In the meantime, Canadian officials are working closely with industry to determine their capacity in the near-term to export beef and pork products that comply with EU standards. For example, the EU requires beef to be hormone-free, which Canadian producers do not currently produce in large quantities.

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Annex A: Canadian Pork Exports to China

Background

Pork

- Pork product exports to China totaled 283,243 tonnes for a value of \$514 million in 2018.
- China is an important market for Canadian pork accounting for 13.3 percent of exports in 2018 and 22.7 percent of exports in 2019.
- Pork exports to China in 2019 have increased 53 percent by volume and 80 percent in value for the first 4 months, as compared to the same period in 2018.
- China represents nearly 50 percent of Canada's total offal and frozen pork exports by volume.
- It is estimated that there are approximately 500 containers of pork destined for China on the water at any given time with a value of \$40-50 million depending on the product mix.
- The Canadian meat industry has estimated increased Canadian export value of pork to China could be upwards of \$100 million over the next five years.
- The pork industry contributes 103,000 direct and indirect jobs that, in turn, generate \$23.8 billion when farms, inputs, processing, and pork exports are included.

Canada pork and pork products exports

World

Top 10 export markets for Canadian pork and pork products, value in C\$

Partner countries	2018	2018 Share %	2019-April
Canadian exports (total)	3,856,906,854	100.0%	1,368,252,820
Japan	1,274,993,792	33.1%	423,987,435
United States	1,254,726,571	32.5%	392,258,287
China	514,388,196	13.3%	310,225,540
Mexico	251,775,397	6.5%	72,759,647
South Korea	158,575,679	4.1%	56,634,637
Philippines	101,227,097	2.6%	20,748,334
Taiwan	85,703,749	2.2%	26,299,976
Australia	44,793,417	1.2%	12,452,615
New Zealand	31,547,244	0.8%	9,259,462
Hong Kong	16,558,508	0.4%	4,651,057

Canadian exports of pork and pork products, by province, value in C\$

Canadian provinces	2018	2018 Share %	2019-April
Canadian exports (total)	3,856,906,854	100.0%	1,368,252,820
Québec	1,658,981,196	43.0%	589,994,116
Manitoba	1,023,270,968	26.5%	379,077,466
Ontario	566,950,340	14.7%	207,362,481
Alberta	486,280,057	12.6%	149,227,057
British Columbia	113,095,868	2.9%	38,607,363
Saskatchewan	6,098,570	0.2%	2,543,927
New Brunswick	1,715,815	0.0%	1,099,395
Nova Scotia	460,331	0.0%	114,629
PEI	52,595	0.0%	226,386

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China

**Canadian exports of pork and pork products
in 2018 to China, by province, value in C\$**

Canadian provinces	2018	2018 Share %	2019-April
Canadian exports (total)	514,388,196	100.0%	310,225,540
Québec	283,144,764	55.0%	180,640,373
Manitoba	110,485,574	21.5%	73,572,133
Ontario	55,941,483	10.9%	27,808,068
British Columbia	38,679,190	7.5%	17,407,425
Alberta	25,917,405	5.0%	10,367,634
Nova Scotia	129,319	0.0%	0
PEI	52,595	0.0%	226,386
New Brunswick	37,866	0.0%	0
Saskatchewan	0	0.0%	203,521

**Canadian exports of pork and pork products, January to April 2018 versus
2019, by province, value in C\$**

Canadian provinces	2018-April	2019-April	% Difference
Canadian exports (total)	172,368,080	310,225,540	80.0%
Québec	93,798,516	180,640,373	92.6%
Manitoba	36,390,563	73,572,133	102.2%
Ontario	16,783,539	27,808,068	65.7%
British Columbia	15,169,022	17,407,425	14.8%
Alberta	10,059,255	10,367,634	3.1%
Nova Scotia	129,319	0	N/A
New Brunswick	37,866	0	N/A
PEI	0	226,386	N/A
Saskatchewan	0	203,521	N/A

Source for all tables: Catsnet, 2019