

CETA agreement between the EU and Canada

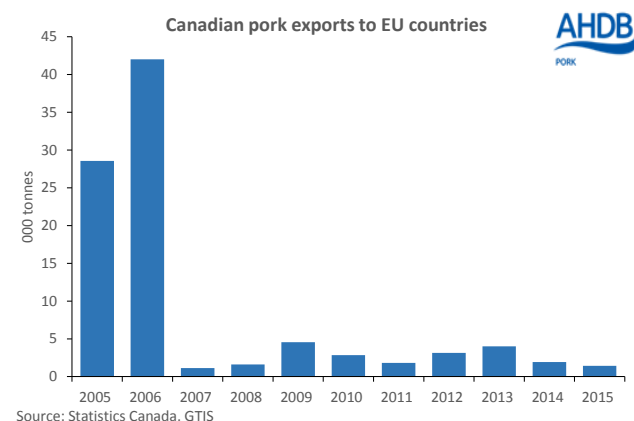
The EU is in the process of completing the EU-Canada Free Trade Agreement (CETA) and final approval is currently expected in the first quarter of 2017. However, given the outcome of the referendum in the UK, progress could slow.

Under CETA, pork has been classified as a sensitive product. For Canadian pork exported to the EU, while a zero duty will apply, this will be limited by tariff rate quotas (TRQs). So far, Canada has had no success in penetrating the EU pig meat market but could this change as a result of CETA?

The total duty-free access granted to Canada amounts to 75,000 tonnes carcass weight equivalent (62,500 tonnes product weight). To this should be added the existing TRQ of 4,625 tonnes (product weight). In order to simplify the quota administration, this will be consolidated into CETA. The EU Commission has stated that the quotas equate to 0.4% of total EU consumption of pork. In reality, however, Canadian exporters will target cuts, especially hams and, to a lesser extent, shoulders that offer the best returns, so the impact on some EU-produced cuts would inevitably be greater.

The quota of 75,000 tonnes will be phased in, with 12,500 tonnes in year one, increasing by the same amount each year until the full amount is reached in year six. The tariff lines included are fresh pork and cured hams and shoulders. The conversion factor from product weight to cwe is set at 1.2.

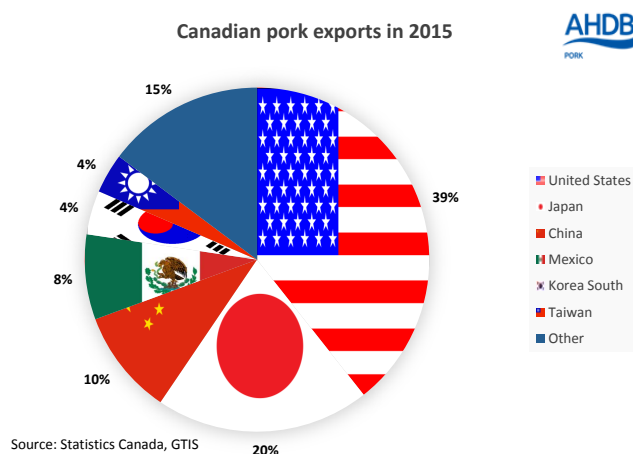
Canada was a significant supplier of frozen pork to Romania before it joined the EU in 2007. Trade since then has been negligible, given the use of ractopamine in Canadian pig production, allowed from 2005 but banned in the EU. The Canadian Pork Council (CPC) recently reported that the number of slaughterhouses requiring ractopamine-free pigs is increasing and all major plants will be ractopamine-free by the end of 2016. However, the ractopamine-free certification program is very costly and CPC is looking for other ways to demonstrate that the industry is no longer using the product.



The Canadian pork industry has welcomed the CETA agreement as it offers “by far the best opportunity Canada will have for many years to acquire new access to this

important pork market”, according to William Wymenga of the CPC, in December 2014. The EU is the only major pork-consuming region in the world that Canada has had little market access to. The introduction of these larger quotas should encourage the industry to invest in the measures necessary in order to obtain access to the EU market. CETA will encourage additional plants to obtain EU certification.

Canada is the third largest global exporter of pork after the EU and the United States. Shipments in 2015 amounted to almost 900,000 tonnes, with its two key markets being the US and Japan. These two countries account for 60% of the total. In 2015 Canada exported to 75 markets, with almost 25 of these taking more than 1,000 tonnes. Of the total, 55% consisted of chilled pork, with trade dominated by regional shipments to the United States and Mexico plus Japan. Frozen pork is inevitably exported to a larger number of markets, with the most important being China.



The Canadian pig sector is geared towards exports, which account for two thirds of domestic production. There are more than 7,000 pig producers in Canada producing more than 25 million head per year. Production costs are on a par with those in the United States and over 25% lower than in the EU, based on the InterPIG results. Alongside the CPC, which represents the interests of pig producers, Canada Pork International has responsibility for export promotion. Pork is the main product exported but Canada also has a substantial trade in processed products, offals and fats. Total export revenues in 2015 amounted to C\$3.4 billion.

What comes next for the EU, the UK and Canada on this deal is somewhat uncertain. The full implications of the UK’s exit from the EU will take time to become clear. Whether this will affect the timetable for the ratification of the CETA deal or even mean it will require some renegotiation remains to be seen. Nevertheless, when it does come into force, the deal looks set to have some important implications for the pork sector on both sides of the Atlantic. For the EU, it may also provide some indication of the possible impact of the larger trade deal with the US, TTIP.