MARKET ACCESS PLAN

MARCH 2021

canolacouncil OF CANADA

CONTENTS

EXECUTIVE SUMMARY

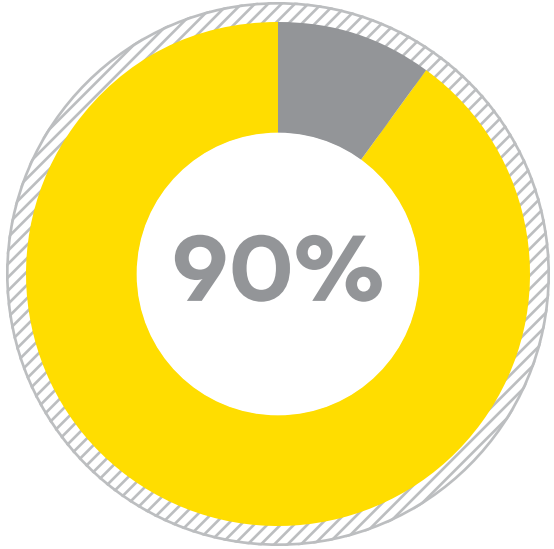
Access to export markets is paramount to Canada's canola sector. Canola is Canada's most valuable crop – generating an average of

$9.3 Billion

annually in farm cash receipts (average of 2017-19)[1] and

$29.9 Billion

to Canada's economy annually.[2]



of Canadian canola production is destined for export markets, so maintaining and growing access to international customers is critical for the sector.

Pursuing broad market access, creating a predictable trading environment and eliminating trade barriers are all key priorities for the Canola Council of Canada. Through these efforts, we can enable the sector to seize opportunities from **increased demand in markets that recognize the value of canola oil, meal and seed.**

This report outlines the trends driving canola market dynamics and provides an overview of the Canola Council's action plan to pursue market access. This report was developed with broad industry consultations, including focus groups conducted on key market access topics in the fall of 2020. Data and insight was also gathered from key industry stakeholders, the Government of Canada and partner organizations.

TRENDS IN THE NEW AGE OF MARKET ACCESS

The international market for oilseed and products is constantly evolving with new opportunities and challenges presenting themselves each year. Four key trends currently dominate the canola market internationally and will continue to be driving forces in the years to come.

1. International trade has always featured many moving parts. But recent geopolitical forces have impacted free trade and in some cases increased protectionist policies that impact agriculture trade. Similarly, increasingly divergent food safety and phytosanitary measures are resulting in **growing complexity** for attaining market access.

2. Innovation in production practices, plant breeding and crop protection continues at rapid speed in the canola industry. However, the regulatory environment is struggling to keep up and the regulatory frameworks used in several key markets are diverging significantly. **Access to innovation and technology** has always presented market access challenges and the current market conditions are only heightening the issue.

3. A third trend that will continue to have significant influence on international markets for canola is **sustainability programs and biofuel standards.** Participation in these markets requires meeting these standards and expectations and demonstrating sustainable production practices.

4. The complexity of international market access is also impacted by **Canadian regulations.** As canola is a "made-in-Canada" crop and Canada dominates the supply internationally, regulations here at home often have an impact globally.

TAKING ACTION FOR MARKET ACCESS

The canola industry is committed to meeting the global market demand of

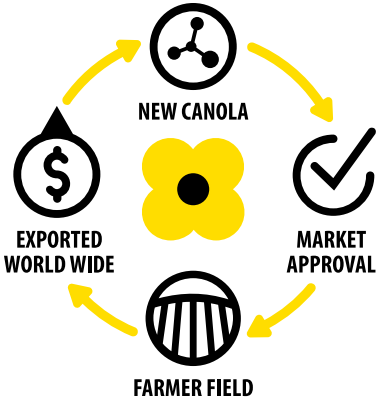
of canola by the year 2025. Ensuring stable and open global trade requires targeted strategies.

The foundation for achieving these market access goals is found in four distinct pillars:

1. **Eliminate Tariffs**
Objective: Expand markets and create more stability by eliminating tariffs and tariff differentials.

2. **Science-based Sanitary and Phytosanitary Rules**
Objective: Promote and ensure science-based trade rules to provide a predictable trade environment without unnecessary restrictions.

3. **Access to Innovation and Technology**
Objective: Enable access to technology through science-based and predictable regulations and policies in Canada and in export markets.



4. **Sustainability Approvals**
Objective: Enable market growth, increased value and trade diversification through biofuel and sustainability approvals.

THE CANOLA INDUSTRY

Canola is a true Canadian export. Developed by researchers from Agriculture and Agri-Food Canada and the University of Manitoba, 90 per cent of Canada's canola production is destined for international markets. Growing global demand for protein and oils and increasing innovation has turned the canola industry into a significant economic engine in Canada, contributing an average of

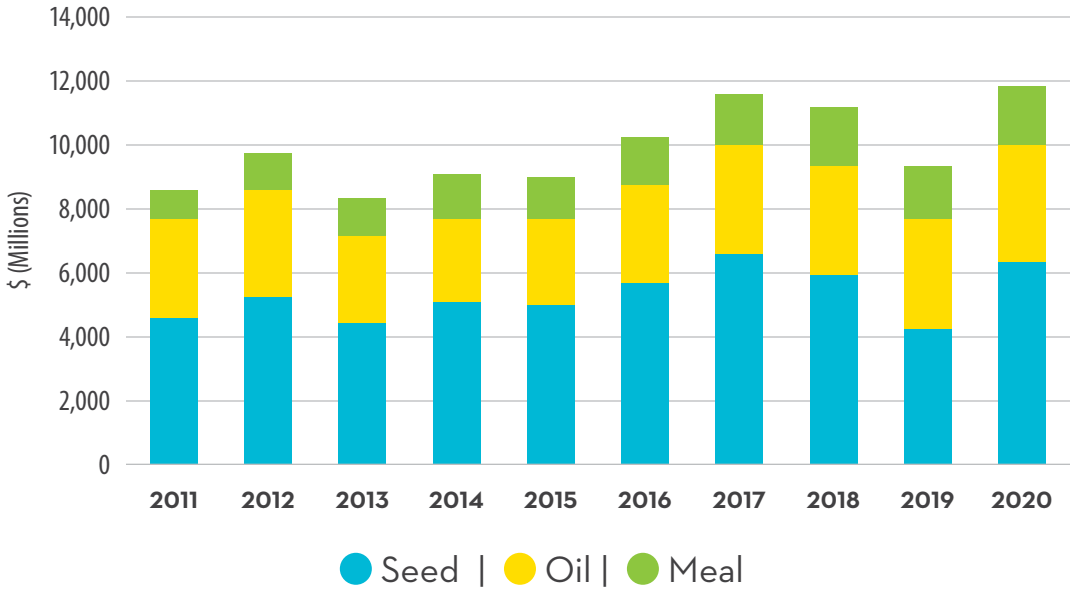
$29.9 Billion

annually.[2] Canola is also Canada's most valuable crop, generating an average of

$9.3 Billion

annually in farm cash receipts (average of 2017-19).[1]

CANOLA EXPORT VALUE FOR ALL MARKETS



Source: Statistics Canada, Canadian International Merchandise Trade Database

THE EVOLUTION OF CANOLA

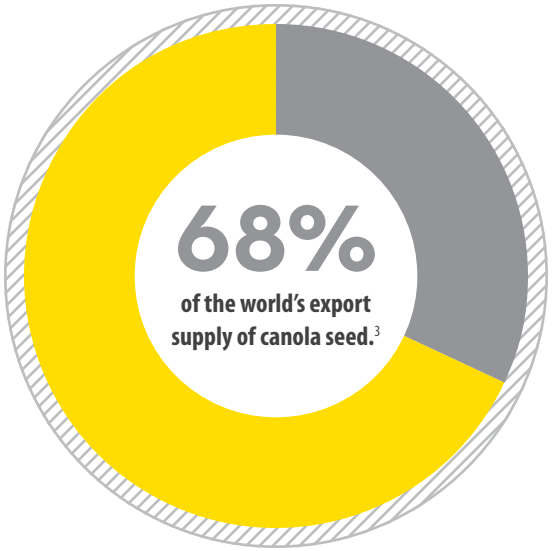
Canadian plant breeders evolved rapeseed in the 1970s into the canola we know today. Traditional plant breeding techniques were used to remove the anti-nutritive components erucic acid and glocosinolates, making the plant's oil and meal valuable for human and animal consumption.

"Canola" is now the internationally recognized term for rapeseed varieties with no more than two per cent erucic acid in the oil and less than 30 micromoles of glucosinolates in the meal. Canola oil is one of the healthiest and most popular cooking oils in the world, while canola meal is also widely recognized as a premium feed protein source.

Decades after the development of the first low erucic acid rapeseed variety, Canada's canola industry continues to innovate. A growing share of canola acres is being devoted to the production of specialty varieties developed to meet specific market needs. This includes canola that provides high-stability oil for frying and does not require hydrogenation, along with ultra-low saturated fat and omega-3 enhanced canola.

INDUSTRY OVERVIEW

Grown across Canada with most production in the Prairie provinces, Canadian canola represents



While 90 per cent of Canadian canola is destined for export, the industry has increased its capacity to process canola domestically, adding value and contributing significant economic gains. The Canadian processing industry consists of 14 primary processing facilities owned by six companies, with a combined annual processing capacity of approximately 10 million tonnes of canola seed. Canola processing delivers an estimated economic impact of nearly $6 billion annually and contributes approximately 7,670 jobs.[4] Most processing facilities also refine a portion of the crude oil they produce. Overall, 60 to 70 per cent of Canada's crude canola oil is refined in Canada, contributing an additional $1.8 billion in estimated economic impact.

Up to 40 per cent of the canola produced in Canada is delivered directly to processing facilities with the balance delivered to domestic and export markets through Western Canada's licensed elevator system.[5] The primary elevator system is comprised of 359 large, high-throughput facilities with a combined licensed storage capacity of eight million tonnes and an annual handling capacity of over 80 million tonnes.[6] Terminal elevators at the Ports of Vancouver, Prince Rupert and Thunder Bay move Canadian grain to export markets. Some canola shipped via Thunder Bay is transferred to processing plants in Ontario or Quebec for further processing.

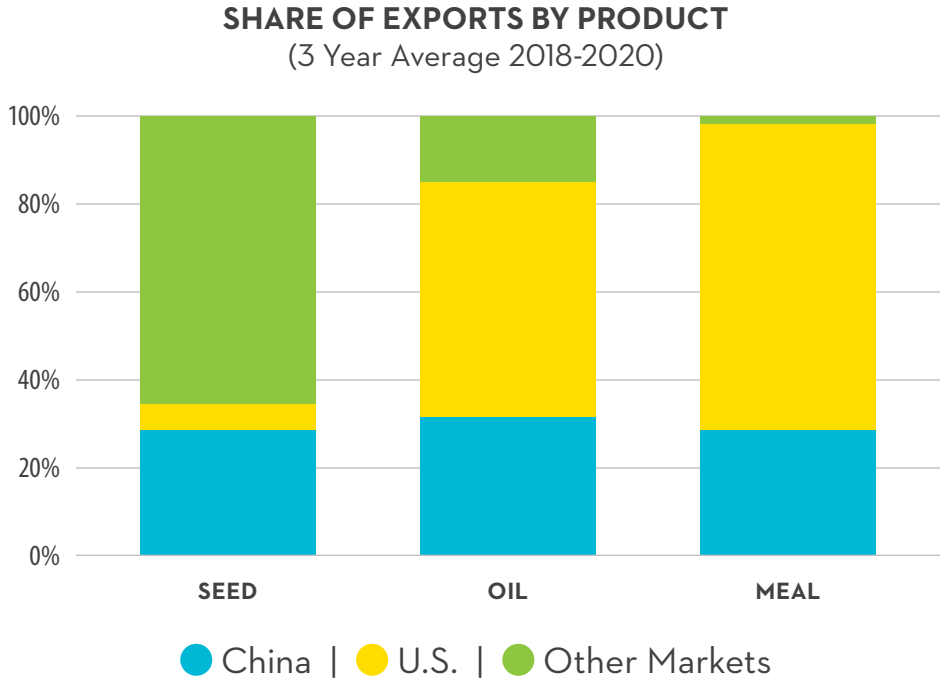
DIVERSIFICATION

Canada exports three key canola products: seed, oil and meal. Raw, unprocessed canola seed is the largest exported product by volume and by value. These exports are destined for markets with existing processing capacity for oilseeds.

Canola oil exports have the most added value domestically and can be processed for biofuel or refined for cooking oil. Canola oil is one of the healthiest cooking oils available and thus it tends to be purchased by markets where it fits cultural and health preferences, and is considered a premium oil relative to other mainstream vegetable oils. Canola meal exports are focused on markets with significant import protein demand and where canola meal makes economic sense compared to alternative products. Used mainly for animal feed, canola meal is proven to support high levels of production in several livestock species.

The international market for global oilseed and products is dominated by China, importing 30 per cent of all oilseeds and products globally. The European Union group of countries follows far behind China by importing 16 per cent of global oilseed products. Together with India, Mexico, Japan, and the U.S., China and the EU represent 57 per cent of all global imports as shown in the following chart.[7]

TOP IMPORTERS OF OILSEEDS AND OILSEED PRODUCTS
(Volume 2017/18 – 2019/20)



Source: Statistics Canada, Canadian International Merchandise Trade Database

For Canadian canola, the largest export market is the U.S., followed closely by China. Japan, the EU and Mexico round out Canadian canola's top buyers internationally. China represents a significant buyer for seed, oil and meal while the U.S. is the dominant buyer of oil and meal. For canola seed, markets outside of the U.S. and China are critical for canola exports. Ultimately, across the three canola products, Canadian canola is diversified and serves markets globally.

COLLABORATION. ALIGNMENT. LEADERSHIP.

The Canola Council encompasses all links in the canola value chain in one industry association. The Canola Council unites growers, life science companies, exporters and processors with the mission to advance the growth and profitability of the canola industry based on innovation, sustainability, resilience and the creation of superior value for a healthier world.

The Canola Council creates the table for all members of the canola value chain to sit down together and advance the collective success of the canola industry. Value chain alignment is facilitated by the Canola Council and is focused on three strategic priorities:

1. **Sustainable, Reliable Supply:** Meeting growing global demand for Canadian canola while increasing the economic and environmental benefits of every acre.

2. **Differentiated Value:** Demonstrating the quality characteristics of canola seed, oil and meal.

3. **Stable and Open Trade:** Creating a trade environment that consistently allows the industry to attain maximum value for canola.

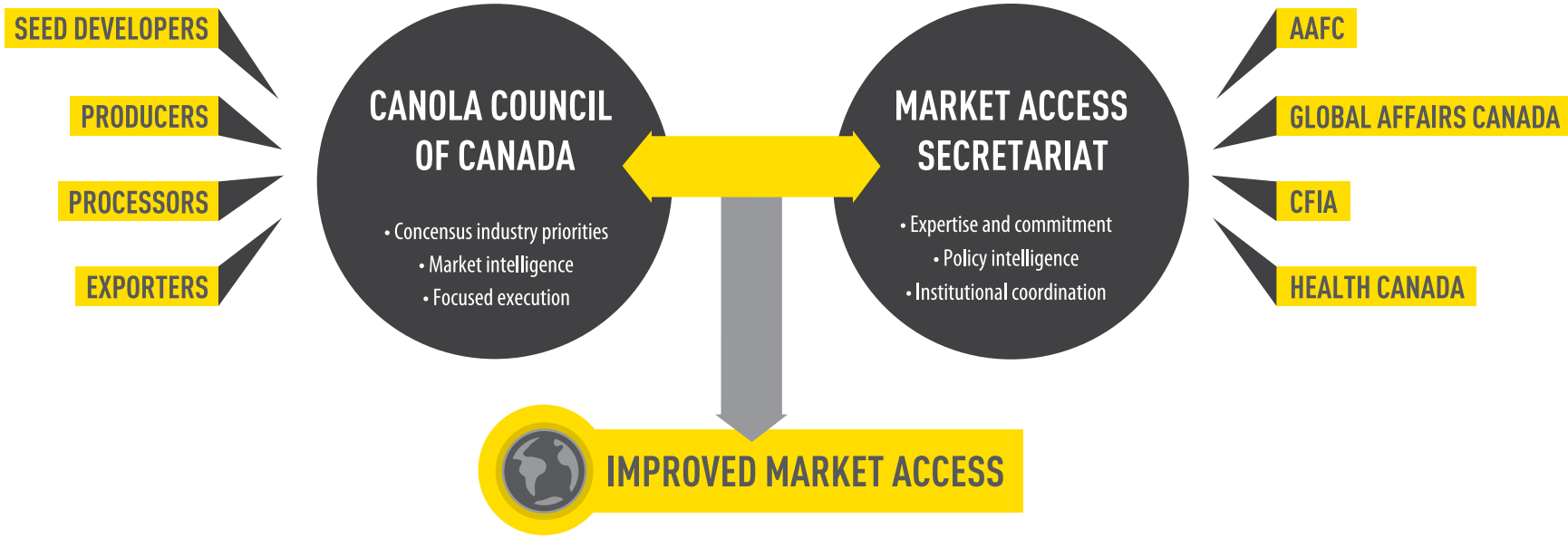
MARKET ACCESS 101

Market access is the privilege of selling into another country free of tariffs or non-tariff barriers. The spectrum of market access ranges from full access, to limited access, to access with risk, to no access. Barriers to trade reduce returns and opportunities for Canadian exports by limiting the demand for canola exports. In addition to limiting demand for our exports, barriers to trade can also create risk for exporters, thereby reducing the value that is returned to our industry.

A country's trade policy framework is an important factor determining market access. It comprises all policies and regulations that affect trade and market access, including measures on domestic support, export subsidies and trade remedies. It is guided by a country's international trade obligations and domestic trade policy environment.

PARTNERING WITH GOVERNMENT: MARKET ACCESS SECRETARIAT

The Canola Council speaks for the full canola value chain and has a robust and deep relationship with the Government of Canada. As international trade issues often require country to country dialogue on domestic policies or regulations, the Government of Canada has a unique and critical role in resolving market access irritants. To this end, the Canola Council works closely with the federal government through the Market Access Secretariat at Agriculture and Agri-Food Canada/Canadian Food Inspection Agency to resolve market access issues. The Market Access Secretariat provides a single window of service on issues related to trade of agricultural products. They have the mandate to coordinate within government departments and agencies in Canada and can provide policy intelligence and expertise. Effective relationships with the Market Access Secretariat ensure cooperation and coordination between industry and government in the pursuit of canola market access internationally.



LEADING WITH INDUSTRY ALIGNMENT: CANADIAN AGRI-FOOD TRADE ALLIANCE

CAFTA ACCA
Canadian Agri-Food Trade Alliance | Alliance canadienne du commerce agroalimentaire

The Canadian Agri-Food Trade Alliance (CAFTA) is a coalition of national organizations that support a more open and fair international trading environment for agriculture and agri-food. This includes beef, pork, meat, grains, cereals, pulses, soybeans and canola, as well as the sugar, malt and processed food industries. The Canola Council is a member of CAFTA and supports its mandate to advocate for, and facilitate members' engagement in free trade negotiations and implementation plans contributing to the elimination of tariffs and non-tariff barriers. As the rules and government bodies affecting market access are often common across agriculture, the many interactions on trade issues with other commodities helps to align approaches across the sector and enables the Canola Council to implement best practices for maximum success.

LEADING WITH COLLABORATION: CANADA GRAINS COUNCIL

CANADA GRAINS COUNCIL

The Canola Council is a member and significant supporter of the Canada Grains Council. The Canada Grains Council is an umbrella organization for the grain industry that can facilitate, coordinate or lead on policy issues affecting the sector. Where the Canola Council is focused exclusively on the needs of the canola sector, the Grain Council focuses on board-directed priorities affecting the interests of the Canadian grain, oilseed, pulse and special crop sectors. Through financial support, in-kind support and industry leadership, the Canola Council collaborates with the grain industry to advance the needs of the canola sector through the Grains Council when these issues are common across the sector.

COUNCIL ALIGNMENT

When issues cross multiple grain commodities, the Canola Council actively engages with the Canada Grains Council to pursue an aligned approach.

Crop protection products: The Grains Council encourages international alignment of maximum residue limits (MRLs) and crop protection product regulation to facilitate trade. It also oversees the implementation of its Domestic MRL policy and coordinates industry efforts on crop protection product regulations in Canada.

Seed Innovation: The Grains Council works domestically and internationally to advocate for the adoption of science-based, timely and predictable regulations for the authorization of seed innovation, including the development of predictable and risk-based approaches to plant breeding innovation.

International Grain Industry Coordination: The Grains Council represents the Canadian grain industry internationally as Canada's representative on the International Grain Trade Coalition, which is comprised of other national grain organizations from around the world. Where there is a global interest in collaboration on issues affecting the grain trade, such as changes to grain standards at the International Plant Protection Convention, the Grains Council works with partners at the International Grain Trade Coalition to facilitate predictable grain trade.

TRENDS IN THE NEW AGE OF MARKET ACCESS

The Canola Council conducted a series of member focus group meetings in the fall of 2020 to gather feedback and insights on market access priorities. The following four themes emerged from these discussions:

1. **Growing Complexity**
2. **Access to Innovation and Technology**
3. **Sustainability and Biofuel Standards**
4. **Impact of Canadian Regulations**

1. GROWING COMPLEXITY

Canada has benefited significantly from a business environment focused on globalization and multilateralism. Free trade agreements developed over the past decade have helped Canada become a dominant agricultural exporter. However, the optimism around expanding global free trade has begun to wane as many countries now appear to use protectionism as a way to promote food security and access to critical goods and services, as opposed to just thinking about protecting their own producers. The effects of the global COVID-19 pandemic have heightened the drive for protectionist policies as countries look to secure control of critical goods and their food supply.

> *"Protectionism is becoming something we're increasingly mindful of; we're aware it's blatantly happening. Barriers are being thrown up in some commodities and how we handle those barriers can set precedents and potentially cause more problems."*

Increased Sanitary and Phytosanitary Issues

As international trade in agriculture and food products has increased, countries have become increasingly concerned about protecting their domestic agriculture production from risks such as invasive species. At the same time, consumers are becoming more and more concerned about practices in exporting countries they perceive affecting food safety. As a result of this pressure, governments are adopting measures designed to address the food safety concerns and fears of constituents, which are often not grounded in science. Moving away from science-based measures is generating greater trade unpredictability, and unfortunately, this trend is likely to continue and grow in the years ahead.

Sanitary and phytosanitary (SPS) measures are intended to protect human, animal and plant health and include import requirements around insects, food-borne pathogens, plant diseases and weed seeds. According to the World Trade Organization (WTO) SPS Agreement, governments are allowed to adopt SPS measures that have an impact on trade, as long as the measure is based on international standards, such as those developed by the Codex Alimentarius (Codex) or the International Plant Protection Convention (IPPC), or is scientifically justified. Countries are also asked to ensure their measure is the least trade-restrictive possible, while still meeting their protection goal.

In addition, the number of SPS measures will likely continue expanding as more countries, in particular developing countries, adopt their own domestic regulatory system. While in the past some countries may have opted to recognize regulatory decisions from other jurisdictions, many today prefer to make their own decisions and adopt their own national measures. The result is a proliferation of SPS measures, as well as an unfortunate increase in misaligned SPS requirements, all leading to a riskier trading environment.

Finally, the increased number of SPS measures also reflects improved testing capability and capacity. Nowadays, governments can test for a multitude of compounds, crop protection products, contaminants, diseases, insects, pathogens, etc., with increased accuracy and smaller limit of detection. While this is a great development when it allows increased food and environmental safety, it also could easily become a barrier to trade when results are used to justify restrictive measures without any scientific justification. For example, minute levels of a plant disease's DNA found in a sample has been used to justify blocking shipments, even though the presence of DNA does not mean the pathogen is viable or presents a risk.

As a result of these trends, SPS issues are becoming more prevalent, diverse and misaligned, creating more trade unpredictability.

> *"We're going to continue to see more and more SPS requirements. The trend is more, not less."*

2. ACCESS TO INNOVATION AND TECHNOLOGY

Canola itself is the outcome of exceptional innovation. The breeding innovation and science leading up to the official recognition of canola as its own distinct crop in 1978 was fast-paced and exciting. And with new technology like CRISPR, RNA interference and biological crop protection products, the pace is increasing significantly. The member focus group meetings reconfirmed that the three technology categories that have the most impact and are of the most interest to the canola industry are: biotechnology, gene-editing and crop protection products.

While innovation and technology in these areas keep barreling forward at a rapid pace, government regulations are continuing to fragment and become more complex. The growing divergence of regulations from the speed of innovation and technology will only increase disparity in technology access and market advantage for competitors and create greater trading risks for agricultural trade. This divergence creates two unique and interconnected risks for canola.

- The first risk is the growing disparity between countries. Growers in countries with science-based regulatory environments conducive to innovation and new technology will benefit from access to those advances. In this context, Canada needs to keep pace with competitors in terms of access to innovation and technology.
- The second risk is that both canola and Canada must be attractive for investment compared to other crop opportunities and other countries. If regulatory environments for canola technologies are unfriendly and unpredictable relative to other major crops, investment will shift into those other crops.

> *"We say that we are open for business and that we support agriculture but our policies are starting to walk backwards. We see South America and the U.S. walking forward, but not us."*

Lack of Regulatory Alignment Stifles Progress

The risks created by misaligned regulatory processes are significant when it comes to a globally traded commodity like canola. There is significant misalignment globally for traditional biotechnology traits and many countries, including Canada, have yet to clarify the regulatory status of varieties developed using gene-editing or other new breeding techniques. While key global markets are moving forward with clear regulatory guidelines on increasingly important gene-editing technology, Canada's rules remain unclear.

> *"In the domestic environment, the regulatory requirements are becoming more challenging with respect to plant breeding innovation."*

Similar to biotechnology and gene-editing, there are challenges with crop protection product regulatory misalignment, especially with respect to maximum residue limits (MRLs). While for many years Codex Alimentarius MRLs were the reference, it is the reality now that more and more countries are implementing their own national standards. The non-harmonized nature of these MRLs create trade unpredictability and make regulation compliance more complex. Clear and aligned MRLs reduce trade risk by providing consistency and predictability.

> *"There are areas moving away from science-based regulations. Some may have relied on Codex in the past but are now moving away from it and developing their own processes."*

There is also growing pressure from consumers to abandon science-based regulations as a result of confounding the difference between hazard and risk in regulatory decisions, resulting in jurisdictions like the EU adopting non science-based approaches to crop protection products and MRLs. There is also evidence that these same fears are driving re-evaluation decisions of foundational crop protection products around the world; glyphosate being the primary example where fears and misinformation are driving decisions, rather than science and facts.

3. SUSTAINABILITY PROGRAMS AND BIOFUEL STANDARDS

Efforts to curb greenhouse gas (GHG) emissions are prominent in many countries as they look to substantially curb their GHG emissions and reduce future climate risks. Significant reduction in GHGs could increase the prospects for adaptation to new climate realties and reduce the costs and challenges of mitigation in the longer term.[8] According to the United Nations Emissions Gap report, global greenhouse gas emissions need to fall by 7.6 per cent each year over the next decade if the world is to get back on track towards the goal of limiting temperature rise. Technologies and policy knowledge exist today to cut emissions and there is increasing pressure for countries to implement transformations.[9] One of the primary mechanisms for reducing greenhouse gas emissions is reducing reliance on fossil fuels. Global biofuel demand is expected to increase as countries continue to rely on biofuel as a significant part of their efforts to reduce greenhouse gas emissions.[10] For countries that do not produce enough oilseeds domestically, international supply is critical and Canadian canola is an important part of this supply.

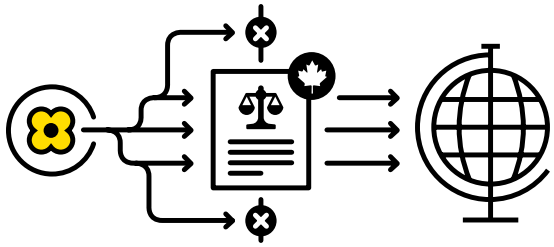
With the imperative to improve environmental outcomes, policies that encourage biofuel use are often tied to sustainability requirements that ensure biofuel feedstocks are produced sustainably. Several markets currently recognize the environmentally sustainable practices of Canadian canola farmers. However, not all markets measure agricultural sustainability with the same metrics and entire markets can be closed off when the environmentally friendly practices of Canadian farmers are not recognized. In addition, the extra effort required for growers to meet and document specific sustainability practices needs to be rewarded.

An example of this opportunity is the growing demand for renewable diesel to meet California's GHG targets. Biofuels are of growing importance to the energy sector as GHG reduction targets get more stringent. Canola does not currently qualify as an approved feedstock to produce renewable diesel and be considered an advanced biofuel in the U.S., as a result, is at a market disadvantage compared to other major crops that are approved.

Compared to other fuels, canola-based biofuels significantly lower GHG emissions of up to 90 per cent compared to traditional diesel.[11] While this continues to be a compelling value proposition for governments looking to lower GHG emissions, the Canadian canola industry must keep up with expanding sustainability efforts that are becoming more aggressive at reducing GHG emissions with a growing reliance on sustainable biofuels.

4. IMPACT OF CANADIAN REGULATIONS ON EXPORT MARKETS

While industry is best positioned to understand market opportunities and customer concerns, governments around the world are engaged in the political, environmental and food safety aspects of trade. In such an environment, it is no surprise that domestic policy and regulation have the potential to create or remove trade frictions. Canola trade is uniquely positioned to feel



the impacts of Canadian regulations and policies in their export trade. Canada is the world's largest producer of canola and 90 per cent of the crop is sold into export markets as seed, oil or meal. As such, Canadian regulations that impact canola have great potential to impact our export market access.

> *"Canola is so Canadian-specific; we can't rely on others to do the work for us."*

Canadian-only Standards Risk Greater Misalignment

Many domestic policy proposals have the potential to impact Canada internationally, whether due to regulatory misalignment with export markets or through decreased competitiveness of the sector.

The challenges of regulatory misalignment play out in many files. As countries continue to develop their regulatory framework, there is growing concern that Canadian regulations and how they compare to those in global markets will impact trade access. The potential for alignment could lead to preferential market access, or if not successful it could do the opposite and limit the marketability of canola.

The same concerns exist in the realm of food and feed safety. While food, animal and environmental protection is paramount, when Canadian regulations are unnecessarily more stringent than export markets, the capability to move various canola products into appropriate markets can be significantly limited. Understanding the potential impact on trade access is a critical lens through which we should evaluate Canadian domestic regulations that impact canola.

> *"If (policies In Canada have) a much different approach than current U.S. mandates, that misalignment would create a high risk that we will not get a pathway. We'd be opening the door to cross-border issues."*

Walking the Talk

Internationally, Canada is a vocal advocate for science-based decision-making, as evidenced in trade agreement negotiations and in statements made at international bodies like the WTO. Maintaining this position is critical to the continued market success of Canadian canola. Similarly, the Canola Council consistently advocates for Canadian regulations to be grounded in science rather than politics. Exporting Canada's science-based policy ideals can advance market access opportunities for Canadian canola. This is especially true as Canada has such a large voice in the canola market with its status as the number one producer and exporter. An important consideration for importing countries is that when Canada's regulatory system for crop protection products is forward looking, it allows more safe food to be produced.

An example of this is how Canada has joined with other like-minded nations to push for the elimination of zero tolerance policies for biotech crops that are not yet approved in importing countries as they can significantly increase trade risks.[12] In other areas however, Canadian domestic policy is sending a mixed message to our trading partners. As a country, we are often advocating that trade partners utilize Codex to align their MRLs with the internationally recognized safety standards. But Canada maintains its own MRL list that is not always the same as Codex.

> *"We need to get our own house in order."*

There is also growing concern that the regulatory processes in Canada for new technology like gene-edited crops could represent a shift away from relying on science. Confusion or delays around newer technology approvals create uncertainty among the research and innovation community, unpredictability for the industry and may also harm Canada's ability to continue advocating for science-based decision-making globally.

MARKET ACCESS ACTION PLAN

A robust and profitable canola industry depends on stable and open global trade. The Canola Council is committed to creating a competitive, stable and open trade environment that consistently allows the industry to attain the maximum value for canola and its products free of tariff and non-tariff trade barriers. Open trade is critical to reach the canola industry's goal of meeting the global market demand of

of canola by the year 2025, as outlined in the Keep It Coming 2025 Strategic Plan.

Stable and open trade – Create competitive, stable and open trade to attain the maximum value for canola and canola products.

The foundation for achieving these market access goals is found in four distinct pillars:

Eliminate Tariffs

Objective: Expand markets and create more stability by eliminating tariffs and tariff differentials.

Access to Innovation and Technology

Objective: Enable access to technology through science-based and predictable regulations and policies in Canada and in export markets.

Science-based Sanitary and Phytosanitary Rules

Objective: Promote and ensure science-based trade rules to provide a predictable trade environment without unnecessary restrictions.

Sustainability Approvals

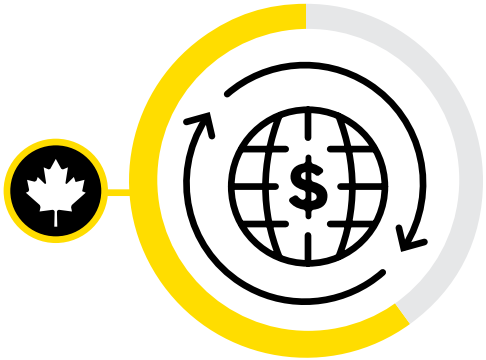
Objective: Enable market growth, increased value and trade diversification through biofuel and sustainability approvals.

ELIMINATING TARIFFS

Objective: Expand markets and create more stability by eliminating tariffs and tariff differentials

Free trade agreements – bilateral, regional and multi-lateral – continue to be the primary mechanism to create the framework needed for the free flow of trade.

Canada now has free trade agreements with



60% of the world's economy

For the canola industry, we've achieved significant success in eliminating tariffs on canola seed, oil and meal through trade agreements. The Canola Council's objective is to eliminate tariffs that are punitive to canola as well as tariff differentials where processed products have higher tariffs than seed.

The work to reach a trade agreement is complex. The work following the signing of a free trade agreement is no less complicated. Effective mechanisms for dispute resolutions are critical to ensure the successful implementation of a free trade agreement.

While free trade agreements have been effective in eliminating tariffs, they often don't directly address non-tariff barriers, which is a growing concern. In some cases, there is an opportunity to leverage the infrastructure put in place by these free trade agreements such as committees and political interaction to achieve success on non-tariff barriers.

PRIORITY AREAS

Eliminating tariff barriers enables canola to have competitive access to export markets. Canada has successfully eliminated tariffs on canola and canola products through agreements with various trading partners but there is more to be done as significant tariffs remain in other markets. These tariffs put canola at a competitive disadvantage to other oilseeds, and discourage value added processing in Canada in markets where oil/meal face higher tariffs than seed.

FUTURE OPPORTUNITIES

- **Pacific Alliance (Colombia, Peru, Chile, Mexico)**
  Oil exports to Colombia face unpredictable tariffs because of the Price Band System, putting Canadian canola at a disadvantage to U.S. oil exports which are not subject to the System.
- **Mercosur (Brazil, Argentina, Uruguay, Paraguay)**
  Tariffs of six to 10 per cent are applied to seed, oil and meal in this region.
- **ASEAN (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Singapore, Vietnam)**
  Both Indonesia and Thailand apply significant tariffs to seed and oil.
- **China** has significantly higher tariffs on canola seed compared to other oilseeds like soybeans. Given that China is the world's largest purchaser of oilseeds, this has a significant impact on the price for canola around the world.

ACTIONS

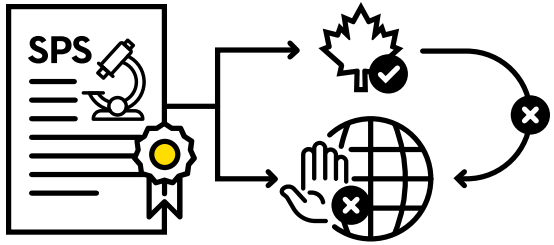
The Canola Council will seize opportunities through ongoing negotiations that the Government of Canada is undertaking, as well as identify other opportunities to eliminate tariffs.

- Maintain regular dialogue with processors and exporters to monitor countries where demand potential exists, and where tariffs are significantly affecting canola's competitive position in the market.
- Provide information on market dynamics and market potential for countries the Government of Canada is engaging in free trade agreement negotiations.
- Support the Government of Canada in their efforts to eliminate tariffs on canola, especially in high priority markets.

SCIENCE-BASED SANITARY AND PHYTOSANITARY RULES

Objective: Create a predictable trading environment

Sanitary and phytosanitary (SPS) measures are intended to protect human, animal and plant health. They include import requirements around potential concerns as insects, food-borne pathogens (e.g. salmonella), plant diseases and weed seeds. One of the main sources of non-tariff barriers for Canadian canola come in the form of overly restrictive or non-scientifically justified SPS measures. The increasing number, diversity and misaligned nature of these measures makes compliance extremely complex for our industry. This is especially so when they are adopted without prior notification, leaving no time for industry to adapt or without enough clarity to understand what compliance means.



These situations create unnecessary trade risks for the canola sector; the Canola Council works to prevent and mitigate these risks by advocating for science-based SPS measures.

PRIORITY AREAS

As countries protect their domestic agriculture production from risks such as invasive species and respond to consumers' concerns about food safety, they are implementing an increasing number of SPS measures. In this context, there is a broad range of SPS measures that affect canola seed, oil and meal trade that the Canola Council monitors and works to address in order to prevent or minimize unnecessary trade disruptions.

1. **New Limits on Natural Contaminants**
   More and more countries are adopting maximum limits for the presence of naturally occurring contaminants in canola seeds and oil (e.g. cadmium or lead) and ubiquitous food-borne pathogens (e.g. salmonella). Potential trade risk arises when these levels are not based on international standards, or are established at very low levels, without any safety justification. With the proliferation of these limits, it is important that they remain internationally aligned and science-based in order to mitigate unnecessary trade risks.

2. **Misaligned Requirements**
   Trade risk is also increased when there is misalignment on tolerances for food additives used to process canola oil and meal. Industry needs access to additives in order to process effectively in Canada and send the products to many markets around the world. However, when an additive is authorized in Canada, but is not allowed or has an uncertain regulatory status in importing countries, this creates unnecessary trade risk for the canola industry.

3. **Misaligned Plant Health Regulatory Requirements**
   Misaligned plant health regulatory measures are increasing in canola export markets. When not science-based, demonstrating compliance with these measures is challenging for exporters. Current issues include requirements for seed shipments to be certified as free of certain pests (e.g. weed seeds or insect pests) that are not present in Canada. In other instances, the pest may be ubiquitous in Canada and the best way of managing risk is during processing in the export markets. Both issues can block market access or add unnecessary costs for exporters.

4 Unjustified Measures

Plant health regulatory measures that are scientifically unjustified can also impact trade. In these cases often the risks to the importing country are not demonstrated or justified.

ACTIONS

The Canola Council continues to promote the use of measures that are scientifically justified and aligned with existing international standards as a means to reduce trade risk and facilitate international compliance. In an environment where SPS measures affecting canola trade are diverse and increasing, the Canola Council will:

- Proactively monitor new and changing SPS regulatory requirements in key export markets and identify potential risks for canola, working with affected companies, relevant members of the value chain and the Market Access Secretariat to ensure issues are addressed and risk is mitigated.
- Work closely with affected members to collect technical details and with the Canola Council's crop production team to gather the best science available. This will enable the Canola Council to develop and promote a practical and less trade restrictive solution.
- Where necessary, invest and fund research required to support engagement with the importing country's government on the development of a scientifically justified and less trade restrictive solution.
- Work with canola importers and their associations to generate support and help find a workable solution.
- When needed, work with relevant industry members to develop and promote practices in Canada that will help mitigate the trade risk. These industry practices are communicated to the value chain through Keep it Clean and engagement by our agronomy specialists in the field.

ACCESS TO INNOVATION AND TECHNOLOGY

Objective: Enable technology advancements

Canola's story is one of innovation. From the research that created it to the development of high oleic oils to modern biotechnology, innovation has been embraced as a way to increase the competitiveness of the industry – resulting in greater returns for the country and all members of the supply chain. For the canola industry, ensuring growers have access to new seeds and crop protection product technologies is critical for the long-term competitiveness of our sector. However, these technologies are highly regulated in canola markets and requirements often differ from those in Canada, creating barriers to commercialization and trade risks for the whole value chain.

To facilitate discussions on the timely commercialization of new seed innovations and crop protection products, the Canola Council brings the value chain together through its Market Access Committee. Guided by a commitment to transparency and information-sharing, members decide on the right balance between the need for innovation and the necessity to maintain market access. Decisions made by the committee, as well as recommendations on agronomic practices needed to mitigate risks, are communicated to growers and the value chain through Keep it Clean.

PRIORITY AREAS

1 Biotechnology

Most of the canola grown in Canada is genetically modified (GM), a key technology that continues to contribute to the competitiveness of the Canadian industry in the international marketplace. Most countries today regulate the trade of GM crops, and those with an operational regulatory system often have a zero tolerance for unapproved GM events, which creates unnecessary trade risk for our sector.

Given the importance of maintaining market access, the Canola Council has a policy where seed developers commercialize only those GM events that have obtained full regulatory approvals in key canola export markets. This means that delayed approvals of new GM canola events in key markets such as China and the EU delays commercialization in Canada, costing our value chain agronomic and yield benefits.

Unpredictable, unclear and misaligned regulatory requirements between markets also continue to be an issue for our sector. Creating unnecessary trade risks for exporters, these requirements are often maintained without scientific justification, jeopardizing predictable access for canola seed, meal or oil to these markets.

2 Gene-editing

New canola varieties developed using gene-editing or other new breeding techniques are expected to be commercialized in the next two to three years. Holding great potential for the canola industry, the international regulatory landscape for these new innovative varieties remains uneven and unclear, creating potential trade risks for our sector. It is crucial for our industry to continue to innovate and that countries adopt approaches to gene-editing that are science-based, predictable and aligned.

3 Crop Protection Products

Access to safe and innovative crop protection products continues to be critical for the success of our sector. To limit potential unnecessary trade disruptions, the Canola Council has committed to only support the use of crop protection products on canola that will allow our value chain to meet the requirements of export markets.

To facilitate trade, our industry seeks science-based and internationally-aligned maximum residue limits (MRLs).

However, in recent years, countries have started to adopt their own list of MRLs, leading to an increase in missing and misaligned MRLs. This situation creates unnecessary trade risk for the canola industry.

> *"Globally, we've seen a significant uptick with MRL regulations. This is not going away."*

Similarly, the lack of timeliness in which Codex MRLs for crop protection products of interest for canola are reviewed and adopted also creates unnecessary trade risks, particularly in markets which use Codex to regulate imports. Improvement of the Codex process is needed in order to ensure the timely adoption of Codex MRLs and so that more countries defer to Codex in the absence of a domestic MRL.

ACTIONS

Innovation is essential to the long-term success of the canola industry. In this context, the Canola Council works diligently to ensure potential trade risks are identified early and that coordinated strategies are put in place to ensure market access irritants are removed or their impacts mitigated. To allow innovation to continue and trade to grow, the Canola Council will:

- Proactively monitor new and changing regulatory requirements for seed innovations and crop protection products in key export markets and identify potential risks for canola, working with affected companies, relevant members of the value chain and the Government of Canada to ensure issues are addressed and risk mitigated.
- Maintain regular contacts with technology developers and registrants to encourage the adoption of new and innovative products in Canada, by facilitating timely and informed value chain decisions on the commercialization of new seed innovations and crop protection products of interest for canola.
- Support the efforts of canola seed developers in advancing timely approval of new GM events in key canola markets.
- Support the efforts of the registrants to secure or maintain risk-based MRLs for crop protection products of interest for the canola sector in key export markets.
- Work in collaboration with the Government of Canada, the Canada Grains Council and other industry partners to promote the adoption of science-based, practical and transparent regulatory approaches to seed innovation and crop protection products.

SUSTAINABILITY APPROVALS

Objective: Enable market growth, increased value and trade diversification through biofuel and sustainability approvals

Some canola markets have stringent sustainability requirements and entire markets can be closed off when the environmentally friendly practices of Canadian farmers are not recognized. Policies designed to ensure that biofuel feedstocks are produced sustainably can impose market access barriers when they are designed for domestic production, but do not treat imports fairly. Similarly, sustainability standards imposed by customers can become market access barriers when they are not coordinated or are not informed by industry best practices.

PRIORITY AREAS

The two main biofuel markets important for canola exports are the U.S. and the EU. Within the U.S., the California market also has its own policies under its low carbon fuel standard. The priority for the sector is to maintain and expand access to these markets by ensuring that canola's low carbon advantage and the sustainable practices used by Canadian growers are recognized.

1. **Maintaining Competitive Access to Europe**
   The EU market for biofuels is governed by EU legislation known as the Renewable Energy Directive and a series of guidance documents issued by the European Commission that cover everything from how a biofuel feedstock must be produced to how the GHG intensity of a feedstock is calculated. In practice, accessing the biofuel market in the European Union involves meeting two inter-connected requirements: a GHG intensity assigned by the country/region and a sustainability certification from a recognized third party on how the feedstock was produced. The GHG intensity allocated to Canadian canola is granted by the EU. To meet the second requirement to access the biofuel market in Europe, exporters in Canada undertake their own efforts to sign growers up to their specific sustainability programs. These programs are overseen by one of two sustainability certification schemes: the International Sustainability and Carbon Certification (ISCC) and the Biomass Biofuel, Sustainability Voluntary Scheme (2BSVS). Canadian canola production differs in important ways from EU production, and the priority of the industry is to ensure that the substance and implementation of EU biofuel policy accurately reflects growers' sustainable practices.

MASS BALANCE SUSTAINABILITY CERTIFICATIONS

Current sustainability certifications for the EU biofuels market work on a mass balance program: if an exporter ships a certain percentage of canola to the EU, a certain corresponding percentage must be grown within the criteria outlined in the sustainability programs.

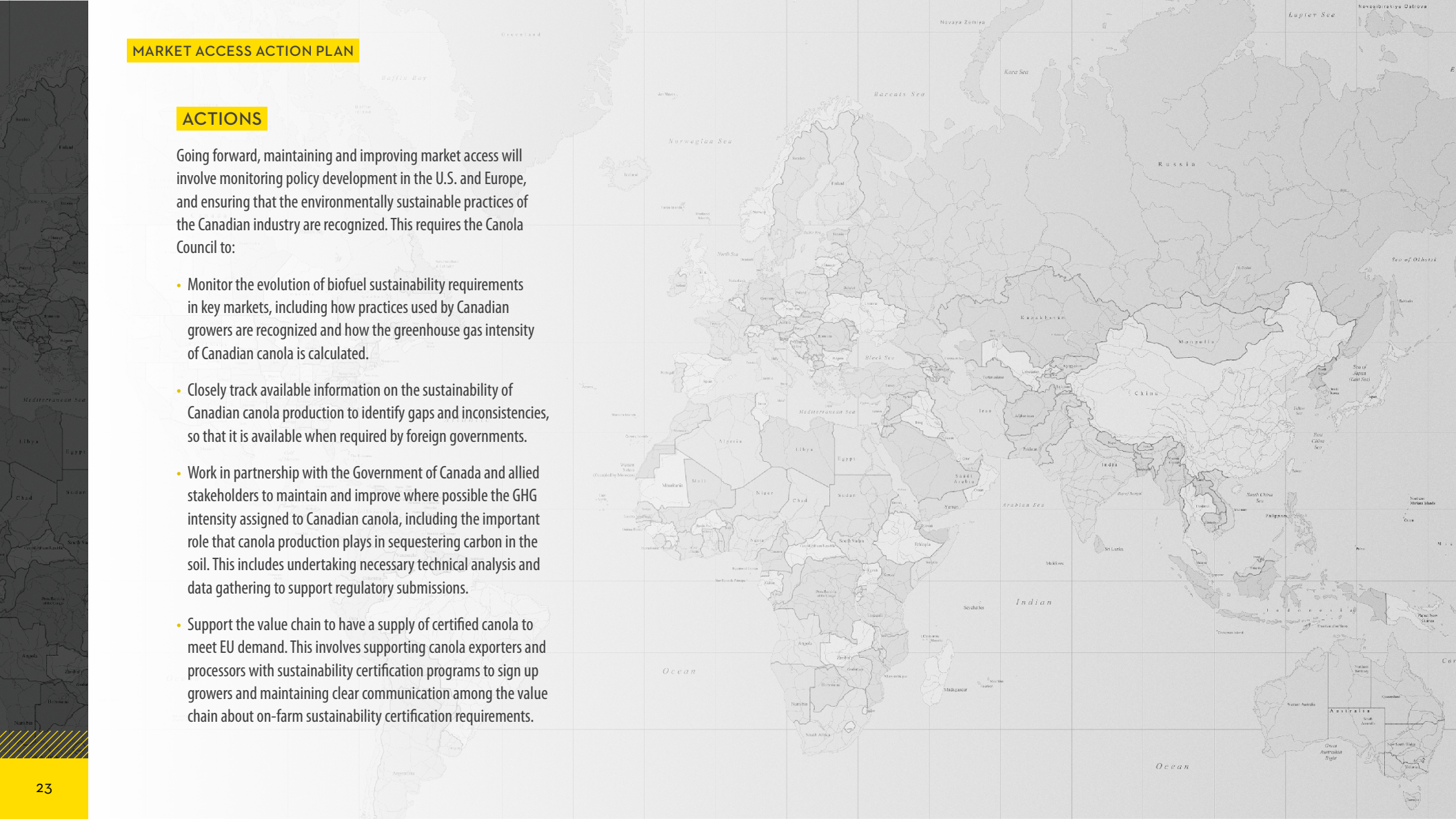
2. **Attaining a Pathway for Renewable Diesel in the U.S.**
   The U.S. Renewable Fuel Standard (RFS) was created in 2005 and expanded in 2007 (RFS II) with the goal to reduce GHG emissions and expand the U.S. renewable fuel sector to 36 billion gallons of renewable fuel by 2022.[13] Canola is currently ineligible as an approved advanced biofuel renewable diesel feedstock, which puts it at a significant disadvantage compared to other oil crops like soybeans. The canola industry has been working diligently to establish a renewable diesel pathway for canola and a petition was submitted to the Environmental Protection Agency (EPA) in 2020.

   A second complicating factor in accessing the American sustainability-focused market is the additional criteria required to access the California renewable fuels market. California has its own Low Carbon Fuel Standard (LCFS) originally adopted in 2009 and amended most recently in 2018. The goal of the program is to reduce carbon intensity of transportation fuel by at least 20 per cent by 2030[14] and it has its own rules to calculate the GHG intensity of feedstocks like canola.

ACTIONS

Going forward, maintaining and improving market access will involve monitoring policy development in the U.S. and Europe, and ensuring that the environmentally sustainable practices of the Canadian industry are recognized. This requires the Canola Council to:

- Monitor the evolution of biofuel sustainability requirements in key markets, including how practices used by Canadian growers are recognized and how the greenhouse gas intensity of Canadian canola is calculated.
- Closely track available information on the sustainability of Canadian canola production to identify gaps and inconsistencies, so that it is available when required by foreign governments.
- Work in partnership with the Government of Canada and allied stakeholders to maintain and improve where possible the GHG intensity assigned to Canadian canola, including the important role that canola production plays in sequestering carbon in the soil. This includes undertaking necessary technical analysis and data gathering to support regulatory submissions.
- Support the value chain to have a supply of certified canola to meet EU demand. This involves supporting canola exporters and processors with sustainability certification programs to sign up growers and maintaining clear communication among the value chain about on-farm sustainability certification requirements.

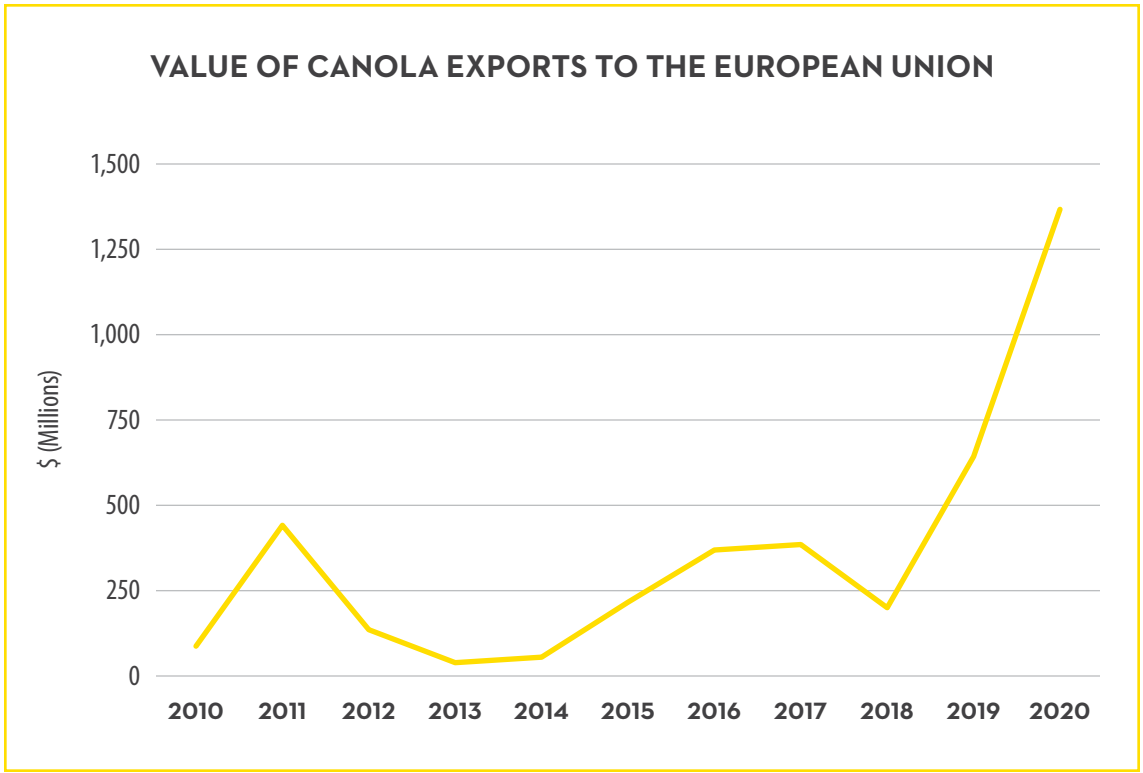


COUNTRY PROFILES

EUROPEAN UNION

The European Union with its 27 member states represents Canada's second most important trading partner. The EU is Canada's fourth largest agri-food export market. In 2019, agri-food exports totaled $3.9 billion, an increase of $1.7 billion or 77 per cent over 2010.[15] Canola seed is now the second largest Canadian export to the EU. Exports of canola oil and meal are small.

Canadian canola seeds exported to the EU are primarily used for biofuel production. With the Renewable Energy Directive requiring 10 per cent of renewable content in fuel consumed in Europe today with significant growth forecast, the demand for canola, a feedstock of choice in the production of biodiesel, continues to be strong.

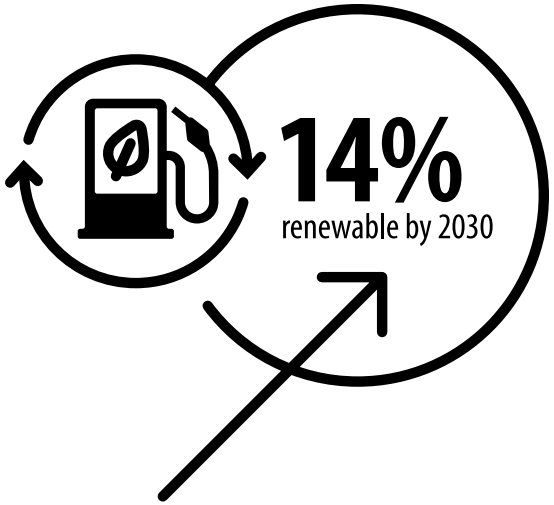


Source: Statistics Canada, Canadian International Merchandise Trade Database

European Union Imports of Canadian Canola (3 Year Average – 2018-20)

Seed: 1.39 MMT valued at CAD $709 million

Oil: 0.2 MMT valued at CAD $15 million



OPPORTUNITIES

Sustainable Production for Biofuel

The revised Renewable Energy Directive (REDII), adopted in 2018, requires that all transportation fuel used in member states contain at least 14 per cent renewable material by 2030, an increase from the 10 per cent target achieved in 2020. As a result of sustained efforts by the Canola Council, Canadian canola is recognized as a sustainable feedstock in the EU with specific greenhouse gas (GHG) intensity values provided for each canola growing region in Canada. However, the EU policy environment is ever-changing and efforts continue to ensure the sustainable benefits of the improved agricultural practices used by canola growers across the Prairies are fully recognized by the European authorities.

CHALLENGES

GM and New Plant Breeding Technology Acceptance

The lack of predictability and timeliness of the EU authorization system for genetically modified crops continue to be a significant market access barrier for Canadian canola. The zero-tolerance approach for unapproved GM events combined with the lengthiness of authorization of new varieties, sometime up to seven years, result in delayed access to new technologies and their agronomic and environmental benefits for canola growers.

Advocacy efforts continue to request that authorization decisions for canola events be science-based, timely and predictable, in accordance with EU international trade obligations.

Many new canola varieties developed using gene-editing or other new breeding techniques are being developed and have the potential to deliver great agronomic, environmental and economic benefits to the canola industry. The way these varieties will be regulated in other markets, including the EU, will affect the ability of our sector to commercialize them in Canada. While the EU is considering its new approach to regulating plant breeding innovation, advocacy efforts conducted jointly with the Canada Grains Council seek to ensure it continues to be science-based, timely and predictable.

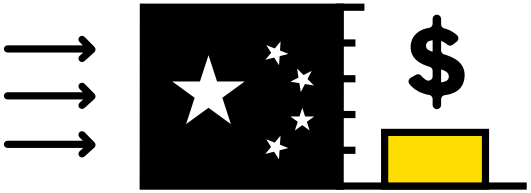
Non science-based crop protection product regulations

Many crop protection products used in Canada continue to be reviewed by European authorities under their hazard-based regulation. As a result of this non science-based approach, many crop protection products are set to see their import maximum residues limits (MRL) lowered to the level of detection, creating unnecessary and scientifically unjustified trade risk for canola exports. Coordinated efforts between industry and government continue to request that the EU approach to import MRLs remain science-based and aligned with Codex Alimentarius.

CHINA

China looms large over all global markets. Canadian exports of all goods and services to China have been growing at an average rate of 10 per cent over the past two decades. Canada's agricultural exports to China have been growing even faster at a rate of 15 per cent, and the canola market is no exception.[16] With a population of 1.4 billion people, China is the world's largest importer of oilseed/oilseed products combined, accounting for 30 per cent of all oilseed/oilseed product imports and over 50 per cent of all oilseeds. The next highest importer of oilseeds and oilseed products combined is the European Union and they make up a significantly lower 16 per cent.[17] For Canada, the importance of the Chinese market is significant.

Exports to China accounted for

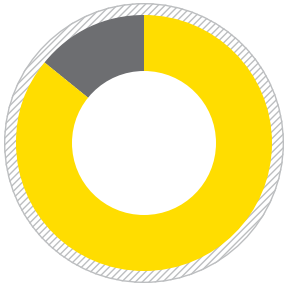


30% of canola value on average over the past three years (2018-20).

China Imports of Canadian Canola (3 Year Average – 2018-20)

Seed: 3.0 MMT valued at CAD $1.7 billion
Oil: 1.0 MMT valued at CAD $1.0 billion
Meal: 1.4 MMT valued at CAD $509 million

ORIGIN OF CHINESE CANOLA SEED IMPORTS
(Volume 2017/18 – 2019/20)



86% Canada | **14%** Other

Source: USDA, World Oilseed Markets and Trade and Statistics Canada

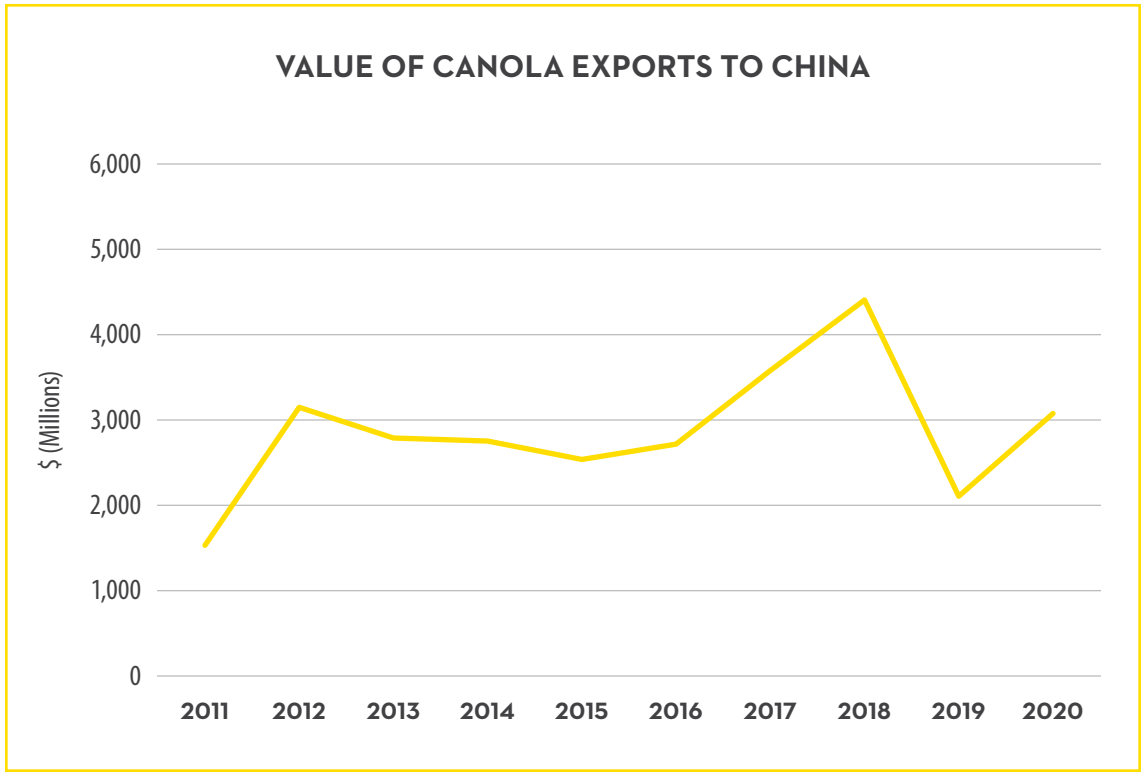
FINDING COMMON GROUND

The value of the relationship between Canada and China for canola is reciprocal. China relies on Canada for oil and protein important to their food security. From 2017/18 to 2019/20 crop years, 86 per cent of all canola seed imports and 26 per cent of all healthy vegetable oil imports to China came from Canada (including soybean, canola, sunflower, olive and corn oils).[18] China's hunger for oilseed products is only expected to grow. Estimates predict consumption of oilseed products will continue to increase, with the Australian government predicting that it will grow by 866 per cent by 2050.[19]

ORIGIN OF CHINESE HEALTHY VEGETABLE OIL IMPORTS
(Volume 2017/18 – 2019/20)

26% Canada | **74%** Other

Source: USDA, World Oilseed Markets and Trade and Statistics Canada



PURSUING RULES-BASED TRADE

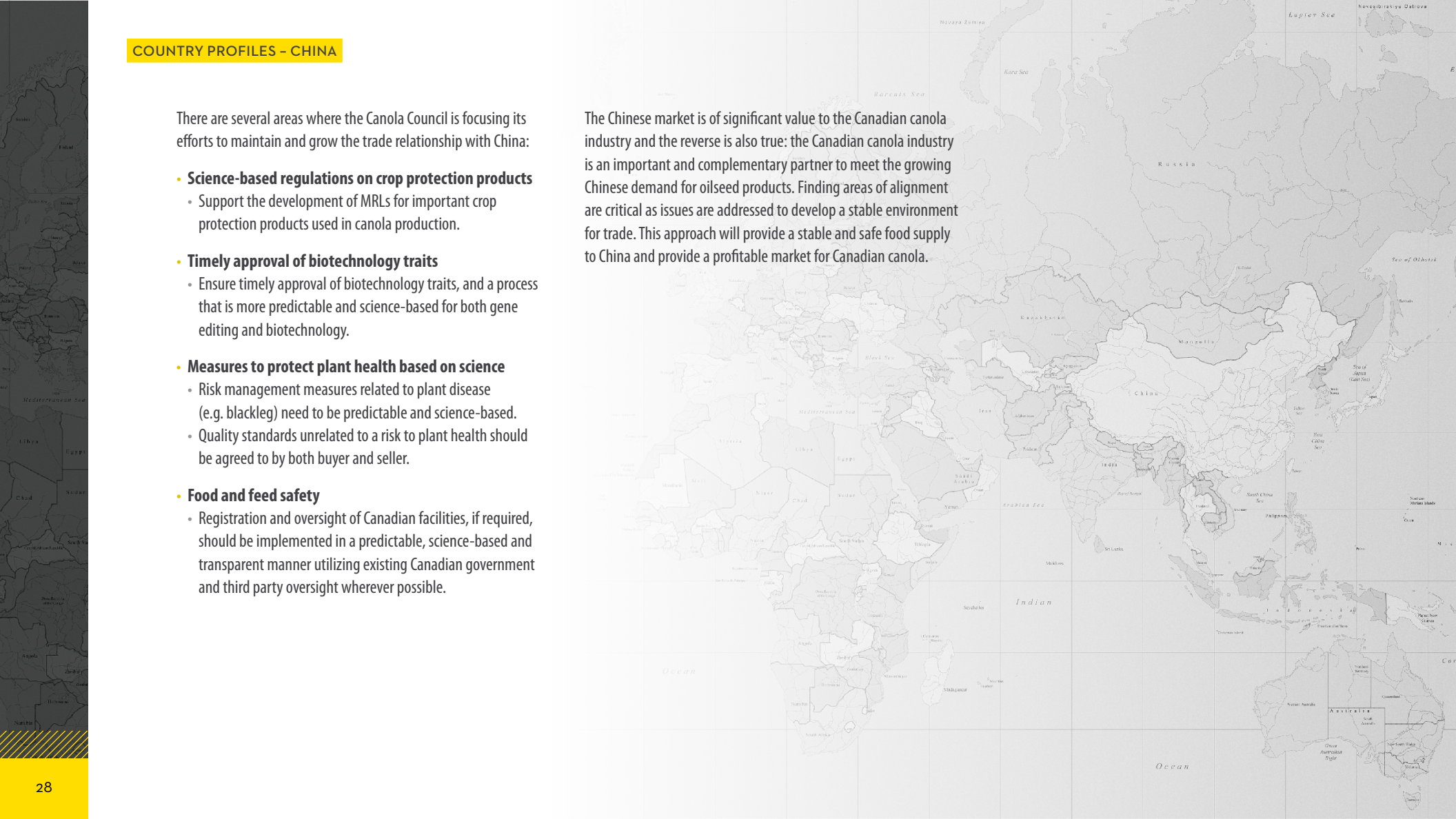
Although Canada and China have a natural confluence of trade interests, there is a history of trade challenges. Addressing trade challenges with China requires a unique approach given the importance of the market and how policies affecting market access are evolving.

Rules-based trade grounded in science is the foundation for predictable and consistent global trade. This is the ultimate goal for trade discussions with China and the Canola Council is committed pursuing this at all levels. There is much to be gained for Chinese industry and consumers through more stable and science-based trade that treats all exporters equally. Given the milieu shaping Chinese import requirements, it is especially important to recognize the importance of government involvement to maintain open relationships with China. There remains an important role for the industry represented by the Canola Council, however, to focus on practical science-based solutions that deliver stable trade and a reliable supply for China. The Canola Council will continue to maintain regular connection with industry in China as a reliable and trustworthy trade partner, engage with the Chinese government to explain how policy can support stable trade and support the Canadian government in their engagements with China.

There are several areas where the Canola Council is focusing its efforts to maintain and grow the trade relationship with China:

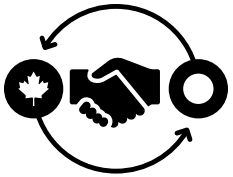
- **Science-based regulations on crop protection products**
  - Support the development of MRLs for important crop protection products used in canola production.
- **Timely approval of biotechnology traits**
  - Ensure timely approval of biotechnology traits, and a process that is more predictable and science-based for both gene editing and biotechnology.
- **Measures to protect plant health based on science**
  - Risk management measures related to plant disease (e.g. blackleg) need to be predictable and science-based.
  - Quality standards unrelated to a risk to plant health should be agreed to by both buyer and seller.
- **Food and feed safety**
  - Registration and oversight of Canadian facilities, if required, should be implemented in a predictable, science-based and transparent manner utilizing existing Canadian government and third party oversight wherever possible.

The Chinese market is of significant value to the Canadian canola industry and the reverse is also true: the Canadian canola industry is an important and complementary partner to meet the growing Chinese demand for oilseed products. Finding areas of alignment are critical as issues are addressed to develop a stable environment for trade. This approach will provide a stable and safe food supply to China and provide a profitable market for Canadian canola.



JAPAN

Japan is the world's third largest economy after the U.S. and China. Japan depends on agri-food imports to supply approximately 60 per cent of its food due to a shortage of arable land relative to the size of its population.



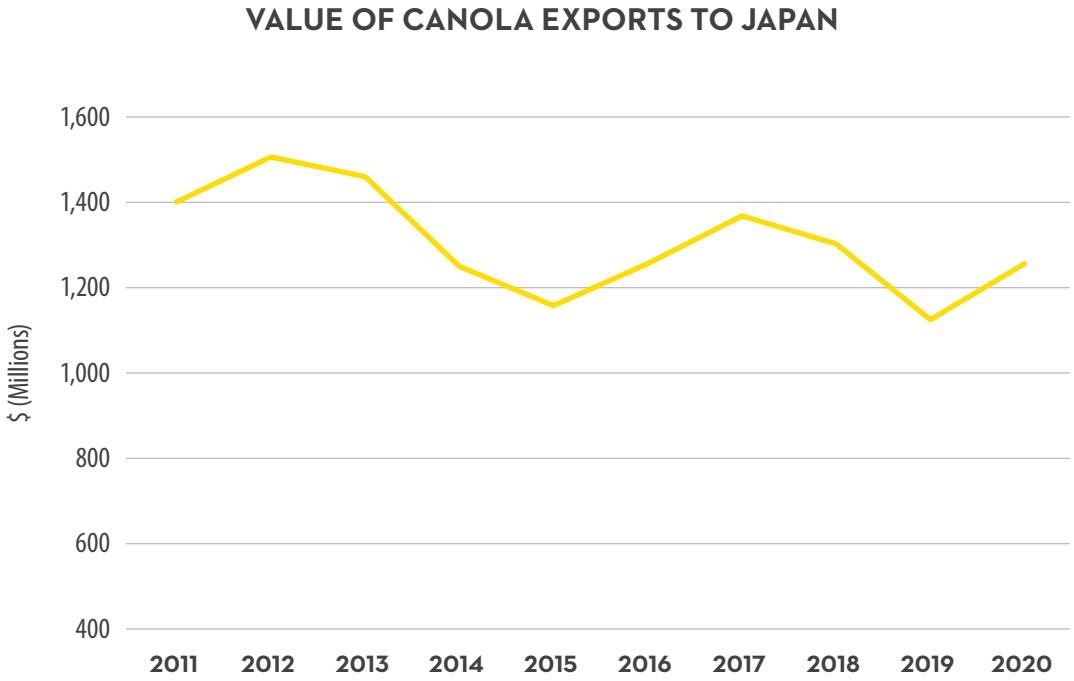
Japan and Canada have a long-standing trade relationship. Canada is Japan's fifth largest source of agri-food imports and Japan is Canada's largest overseas market for those products. Canola oil is the number one vegetable oil consumed in Japan and the majority of their canola comes from Canada.[20]

In 2019, Canada exported $4.7 billion in agri-food products to Japan, an increase of $1 billion or 27 per cent over 2011.[21] Canola seed is the number one Canadian export to Japan and contributed significantly to the overall growth in value of agri-food exports in the past decade.

Japan Imports of Canadian Canola (3 Year Average – 2018-20)

Seed: 2.2 MMT, valued at CAD $1.2 billion

Oil: 25,000 MT, valued at CAD $27 million



OPPORTUNITIES

Oil Tariff Phase Out

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) resulted in successful negotiations for Japan to eliminate their tariff on canola oil by 2023. This opens a significant and high-value market for Canadian canola.

Consumer Health Consciousness

Japan has an aging population of about 126 million with a negative growth rate. While a declining population is anticipated to decrease demand for food overall, the aging population has led to heightened consumer health consciousness. As a heart healthy oil, canola has an opportunity to capitalize on dietary shifts.

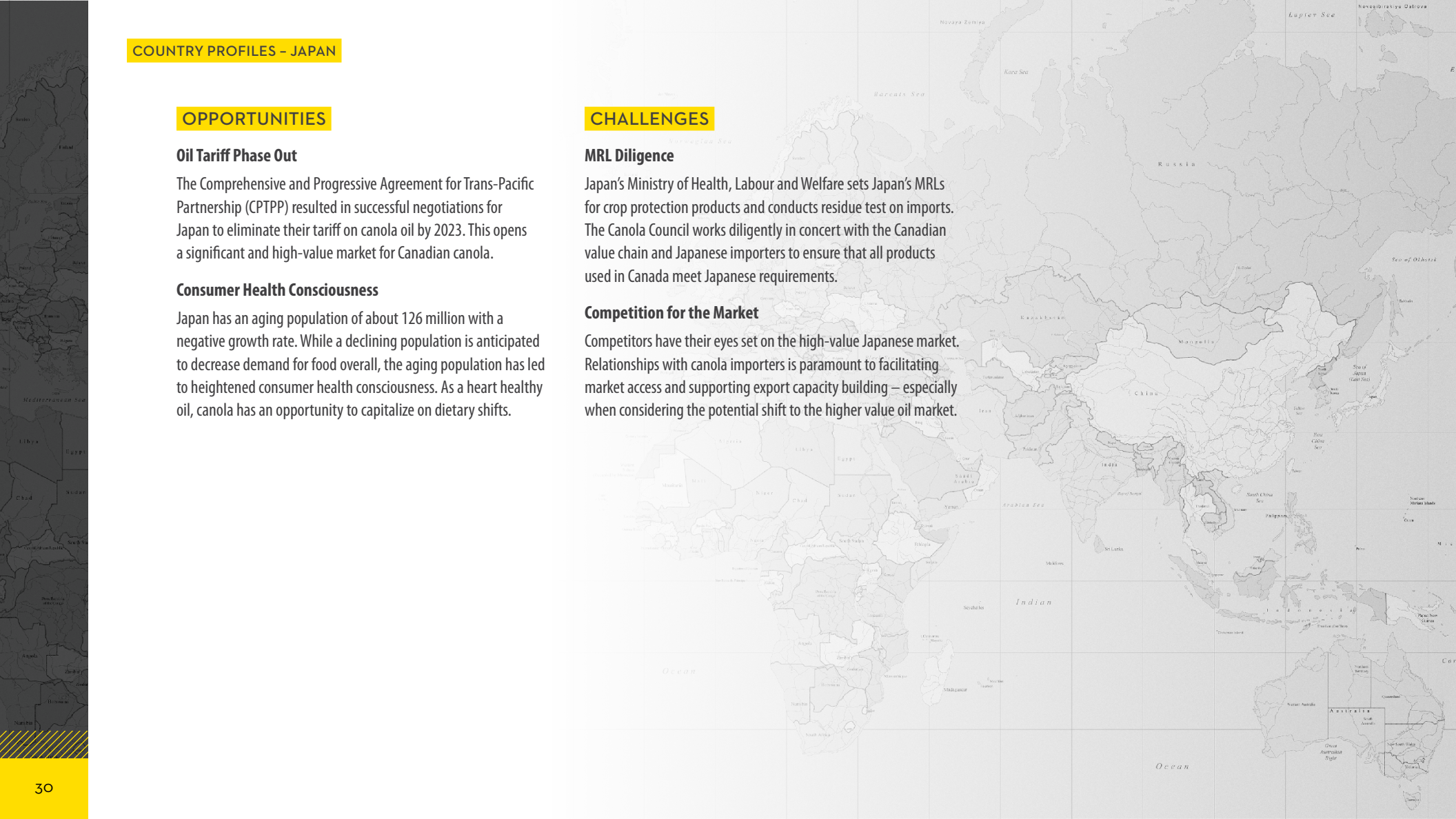
CHALLENGES

MRL Diligence

Japan's Ministry of Health, Labour and Welfare sets Japan's MRLs for crop protection products and conducts residue test on imports. The Canola Council works diligently in concert with the Canadian value chain and Japanese importers to ensure that all products used in Canada meet Japanese requirements.

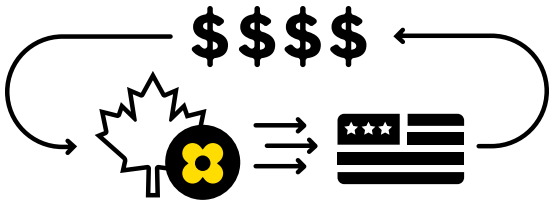
Competition for the Market

Competitors have their eyes set on the high-value Japanese market. Relationships with canola importers is paramount to facilitating market access and supporting export capacity building – especially when considering the potential shift to the higher value oil market.



U.S.

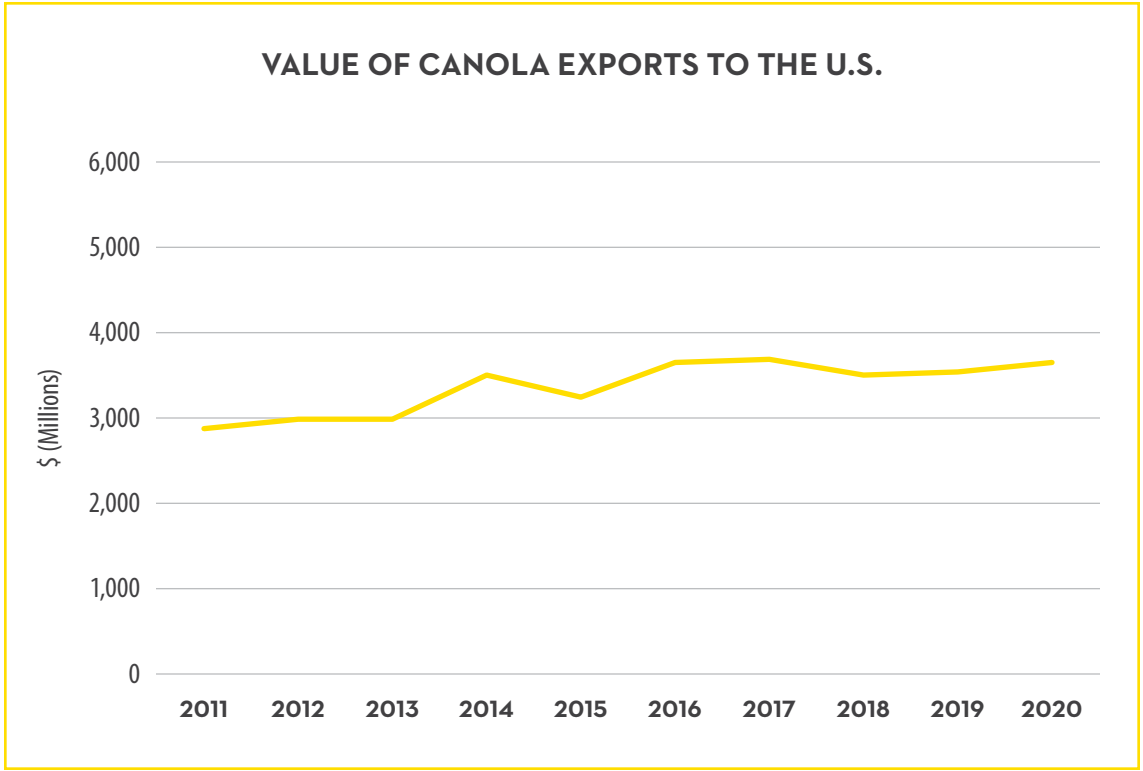
The U.S. is Canada's largest buyer of canola seed, oil and meal and one of the largest buyers of canola for the world. Being geographic neighbours, Canada and the U.S. share the most significant bilateral trading relationship in the world.



In 2019, more than $35.7 billion in agri-food exports headed to the U.S. representing an 85 per cent increase since 2011.[22] Refined canola oil and crude canola oil are two of the top five exports traded from Canada to the U.S. each year. Vegetable oil consumption in the U.S. exceeds 17.8 million tonnes per year, with canola currently ranked as the second most popular edible oil.[23]

United States Imports of Canadian Canola (3 Year Average – 2018-20)

Seed: 537,000 MT valued at CAD $306 million
Oil: 1.7 MMT valued at CAD $2 billion
Meal: 3.3 MMT valued at CAD $1.2 billion



OPPORTUNITIES

Renewable Diesel Demand

Efforts to reduce greenhouse gas emissions by reducing the carbon intensity of fuels continue to grow in the U.S., with significant growth in states like California. Investment in new capacity to produce renewable diesel is significant and will require significant quantities of sustainable feedstock like canola as capacity comes online.

Stable Supply of Ingredients

For both the dairy and food processing industry, Canada's stable supply of canola creates opportunities for jobs and growth. Complementing U.S. production and providing stability in supply and pricing, Canadian canola provides a valuable protein source that improves dairy productivity, and a healthy oil that is a key ingredient for food processors.

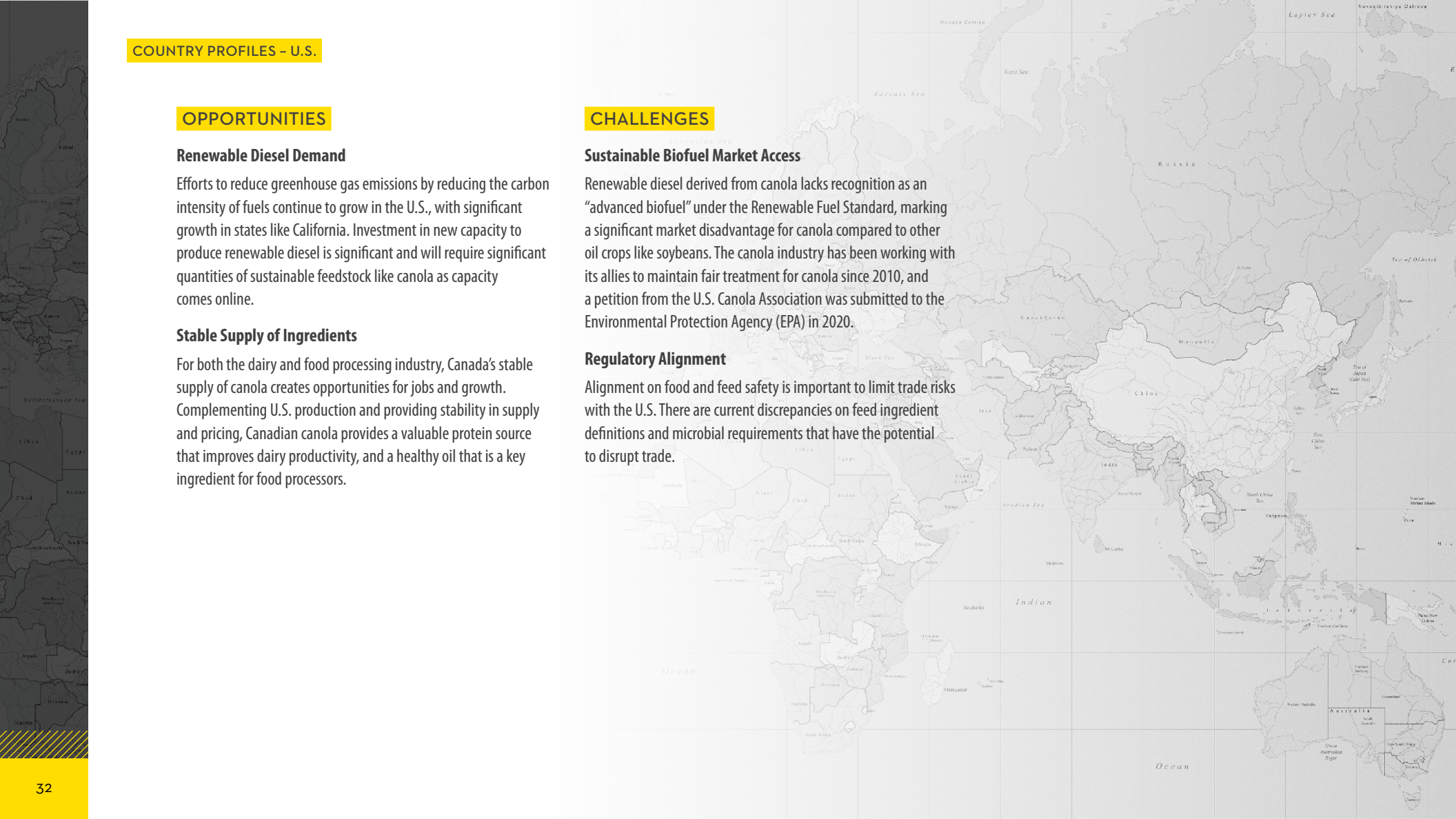
CHALLENGES

Sustainable Biofuel Market Access

Renewable diesel derived from canola lacks recognition as an "advanced biofuel" under the Renewable Fuel Standard, marking a significant market disadvantage for canola compared to other oil crops like soybeans. The canola industry has been working with its allies to maintain fair treatment for canola since 2010, and a petition from the U.S. Canola Association was submitted to the Environmental Protection Agency (EPA) in 2020.

Regulatory Alignment

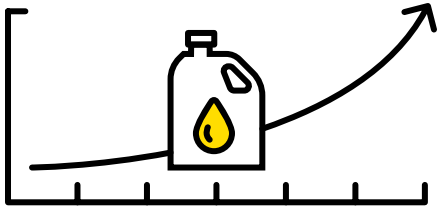
Alignment on food and feed safety is important to limit trade risks with the U.S. There are current discrepancies on feed ingredient definitions and microbial requirements that have the potential to disrupt trade.



MEXICO

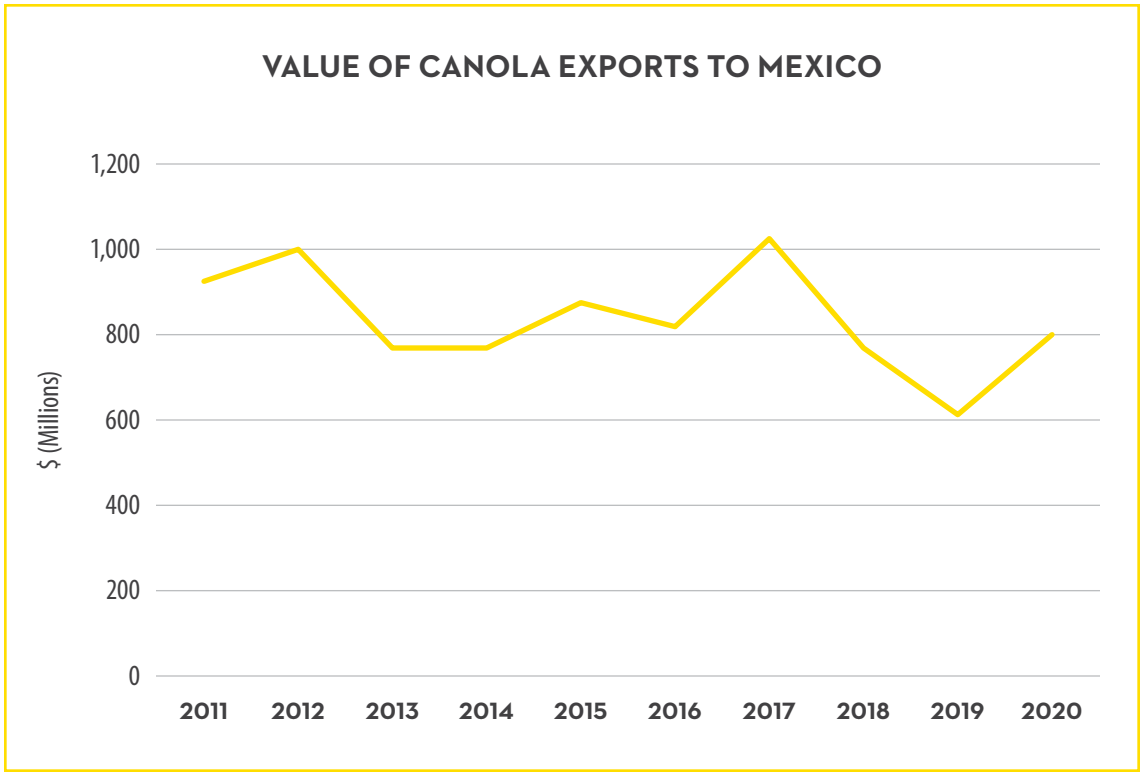
Mexico is the world's eighth largest importer of agri-food products, representing a $37 billion market. Currently, the U.S. serves over 67 per cent of the market, but Canada-Mexico trade in agri-food products has been steadily growing since the start of the North American Free Trade Agreement in 1994.[24]

Canola is Canada's top agri-food export to Mexico. Canola seed is an important feedstock for Mexico's crushing and refining industry. Canola meal exports have fluctuated over the past five years but canola oil exports to Mexico have seen a steady rise.



Mexico Imports of Canadian Canola (3 Year Average – 2018-20)

Seed: 1.2 MMT valued at CAD $626 million
Oil: 91,400 MT valued at CAD $104 million
Meal: 13,800 MT valued at CAD $4.9 million



OPPORTUNITIES

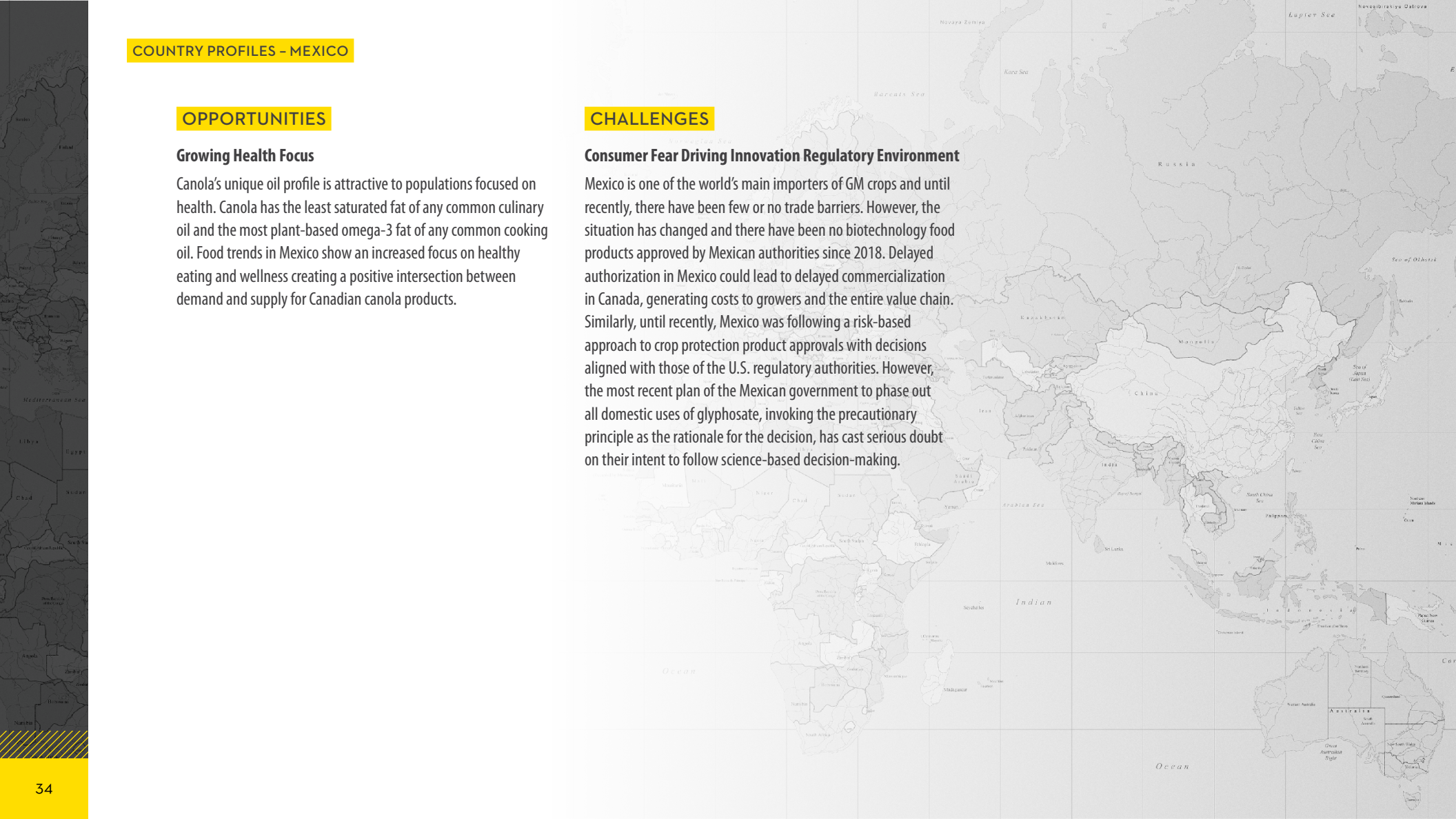
Growing Health Focus

Canola's unique oil profile is attractive to populations focused on health. Canola has the least saturated fat of any common culinary oil and the most plant-based omega-3 fat of any common cooking oil. Food trends in Mexico show an increased focus on healthy eating and wellness creating a positive intersection between demand and supply for Canadian canola products.

CHALLENGES

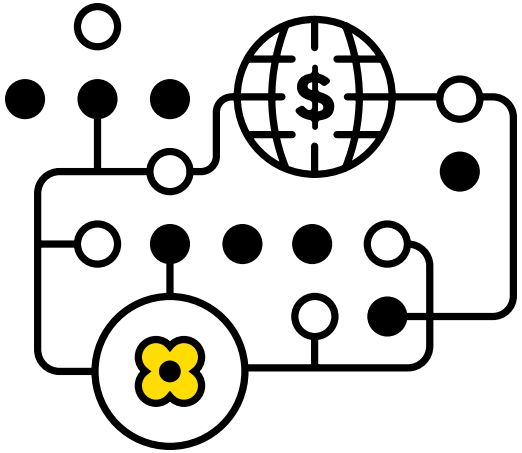
Consumer Fear Driving Innovation Regulatory Environment

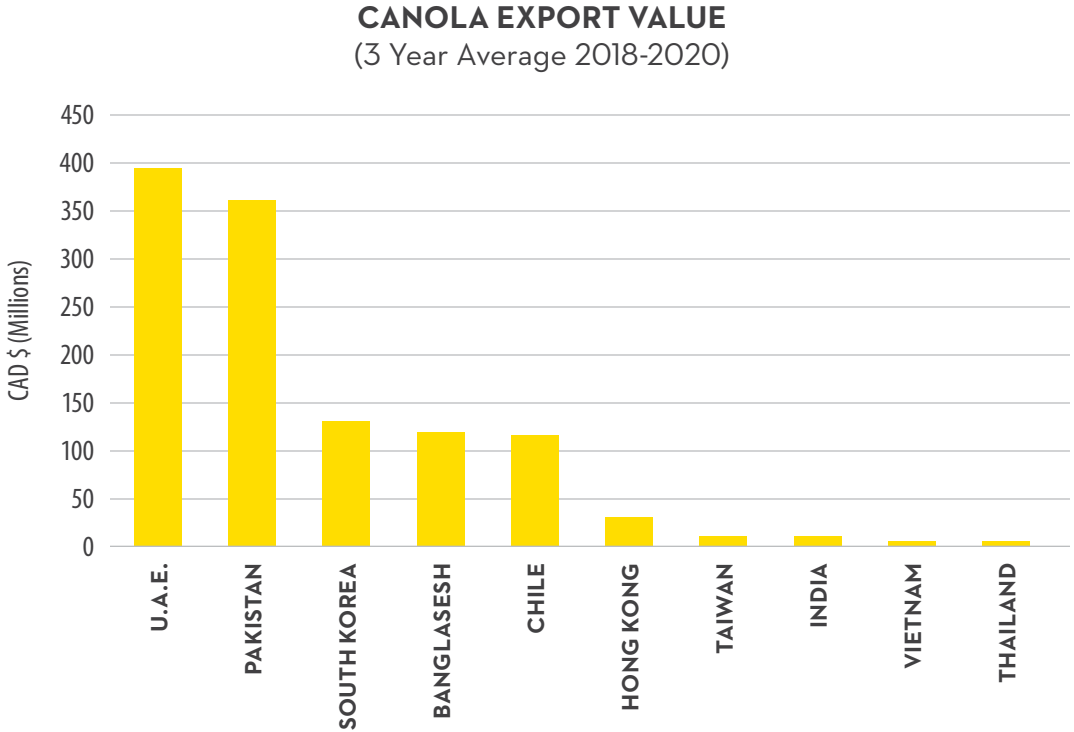
Mexico is one of the world's main importers of GM crops and until recently, there have been few or no trade barriers. However, the situation has changed and there have been no biotechnology food products approved by Mexican authorities since 2018. Delayed authorization in Mexico could lead to delayed commercialization in Canada, generating costs to growers and the entire value chain. Similarly, until recently, Mexico was following a risk-based approach to crop protection product approvals with decisions aligned with those of the U.S. regulatory authorities. However, the most recent plan of the Mexican government to phase out all domestic uses of glyphosate, invoking the precautionary principle as the rationale for the decision, has cast serious doubt on their intent to follow science-based decision-making.



OTHER MARKETS

Canadian canola exports are dominated by a few countries that purchase a lot, but countries purchasing smaller amounts are also important customers representing significant opportunities and challenges.





Accessing and growing exports to these markets requires unique and complex strategies to promote Canadian canola and reduce trade barriers. In this environment, there is no such thing as a one-size-fits-all approach to market access. Markets the canola industry is keeping a close eye on include:

- Pakistan (seed)
- United Arab Emirates (seed)
- South Korea (oil)
- Chile (oil and seed)
- Bangladesh (seed)
- Malaysia (oil)
- Thailand (meal)
- Vietnam (meal)
- Colombia (oil)

OPPORTUNITIES

Lack of Transparency

The Canola Council closely monitors trade rules and measures globally. However, many countries do not provide transparency on their measures; this can create an environment heavy with trade risk as new SPS measures or other trade barriers may negatively impact trade.

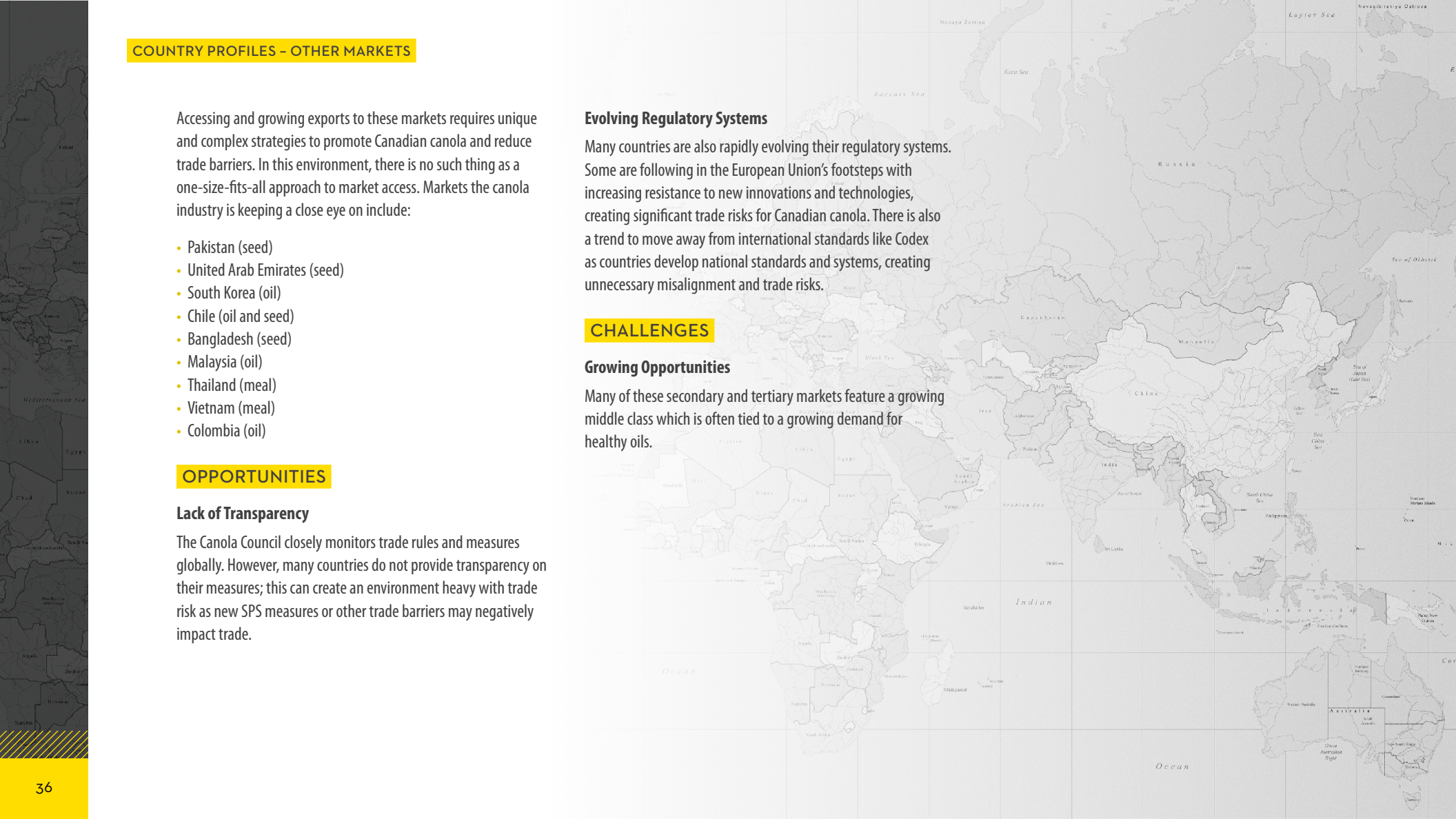
Evolving Regulatory Systems

Many countries are also rapidly evolving their regulatory systems. Some are following in the European Union's footsteps with increasing resistance to new innovations and technologies, creating significant trade risks for Canadian canola. There is also a trend to move away from international standards like Codex as countries develop national standards and systems, creating unnecessary misalignment and trade risks.

CHALLENGES

Growing Opportunities

Many of these secondary and tertiary markets feature a growing middle class which is often tied to a growing demand for healthy oils.



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