

Market Access

Over the last few decades, Canadian oat farmers have turned oats from a domestic crop into a major Canadian export. At the beginning of the 80's only a tiny percentage of the Canadian oats production was exported. Since then Canadian oats farmers have regularly increased their share of the global market.

Oats exports still have wide potential for growth, both in existing and new markets. POGA is working in current markets such as Mexico to strengthen demand for Canadian oats. New markets in Asia may constitute excellent opportunities to diversify exports and increase the overall demand if trade restrictions are eliminated.

To achieve continued growth, the leadership of the Canadian government is needed, particularly regarding phytosanitary barriers and trade arrangements to countries such as China and India.

Oats Export

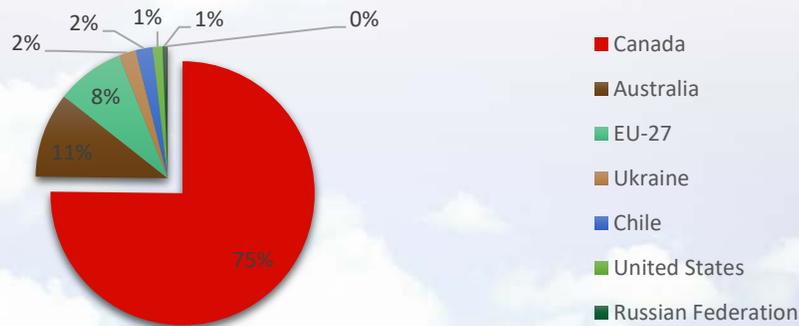
Source AAFC/STC



The remarkable increase in oat exports makes it one of the four major commodities where Canada dominates globally. According to Statistics Canada, Canada exports approximately 60% of their total oat production, including both raw and processed oats. Source: Statistics Canada (STC), Forecast for 2017-18 by AAFC.

Oats Exports by Country in 1000 MT

Source USDA/Index Mundi



In 2017, Canada was the most significant oat exporter in the world with 75% of the global market.

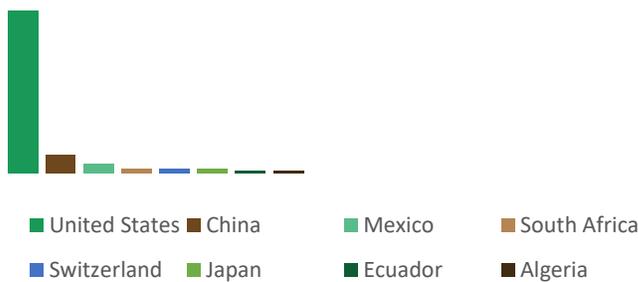


NAFTA countries

USA and Mexico are fundamental markets for Canadian oats export. The USA accounts for nearly ¾ of the world's imports of oats. Currently about 90% of all Canadian oat exports go to the United States. Mexico is our second biggest market, since raw Canadian oats cannot currently be exported to China.

Oats Imports by Country in 1000 MT

Source USDA/Index Mundi



The prospects for oats may be severely affected by the current talks on the modernization of the North American Free Trade Agreement (NAFTA). In addition to a commitment on the current talks for NAFTA, POGA encourages bilateral talks with each country as a contingency plan. POGA has been working with the North American Millers Association (NAMA) and others in the USA to encourage domestic support for NAFTA.

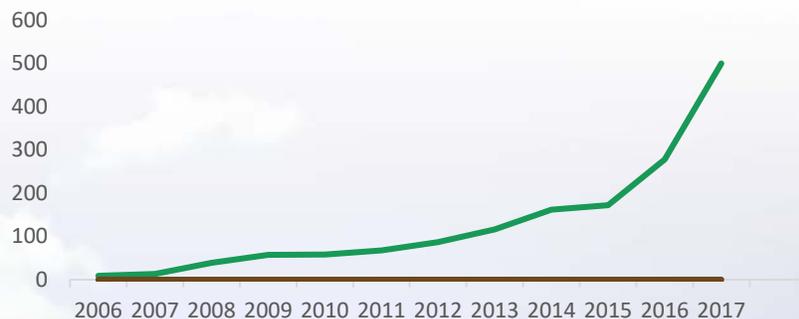
China

There is a natural convergence of interests between Canada and China on oats since Canada is the leading oat exporter in the world, while China has the fastest growing demand for oats in the world. Currently, Canada does not have access to the Chinese raw oat market.

The prospect for further growth of the Chinese market is extremely good. The new Chinese middle class is looking for healthier food and more diverse diets to complement staple traditional foods such as rice and wheat noodles. As of 2002, the average Chinese person ate 90kg of rice a year so a relatively small shift from

Oats Imports in China in 1000 MT

Source USDA /Index Mundi



Oat imports into China have increased nearly 17 times from 2006 to 2014 and over 6 times from 2011 to 2017 with continuous growth. In 2017, imports of oats almost doubled compared to the previous year. At the current market price, the value of worldwide oat imports into China is approx. \$ 100,000,000.



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rice to oats would create significant demand. Products such as oat noodles, oat rice, which already exist in China on a small scale, could be a unique opportunity for Canadian oats.

Currently the Chinese market is mainly dominated by Australian oats exports. In fact, Canadian raw oat exports for human and animal consumption to China are blocked due to the absence of specific phytosanitary protocols. Only seed oats (oats for planting) and processed oats have provision to enter. A work plan between Canadian (CFIA) and Chinese plant health (AQSIQ) authorities has added oat discussions to 2018.

Addressing the lack of these protocols is a matter of high priority. Estimates based on the current shares of the oat global market suggest that Canadian oat exports to China could reach \$121,000,000 value in 5 years after the opening of the market based on obtaining 40% market share. Access to the Chinese market is crucial in terms of diversification of the exports. Even with NAFTA, diversification and less reliance on the US is vital but if the current renegotiation of NAFTA would result in penalizing new conditions for Canadian oats growers the need would be immediate and urgent.

Note: POGA applied to MAS in 2015 for market access to China and in 2016 for market access to India. Additionally, Canadian researchers have worked with their Chinese counterparts for years. Dr. Vern Burrows, a Canadian Oat researcher, even has a statue in his honour in China due to his oat work there.

CPTTP countries

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Large populations in many CPTPP countries like Vietnam and Japan, as well as the growing middle class in these countries and others like Malaysia, make this an ideal export opportunity for Canadian oats. In addition, heart disease and diabetes are on the rise in this region and oats is a great, heart-healthy substitute for white rice, a staple in many Asian countries.

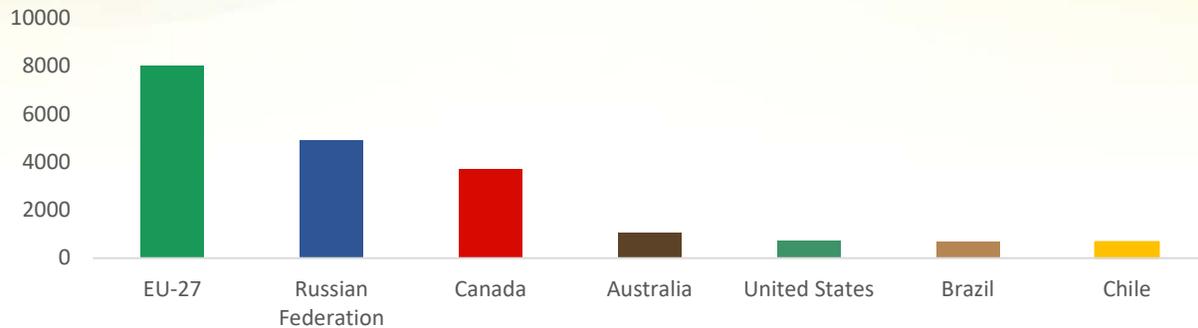
Access to these CPTTP markets may be particularly empowered by the lowering of the trade tariffs. CPTPP includes provisions to remove the 12% tariff on processed oats exported to Japan within 7 years and removal of the 20% tariff on processed oats to Vietnam within 3 years. These changes will allow Canadian oats to have the same market access opportunities that Australia, the main competitor for markets like Japan, has. This will level the playing field, which is essential for our products.



CETA

Global Oats Production 2017 in MT

Source USDA/Index Mundi



EU Northern countries are large producers of oats, so combined they represent the largest production of oats. Russia exports very few oats as their oats are mainly used domestically. CETA may help gain access to some net oat importing countries such as France, the Netherlands, Belgium, and Germany if the strict EU restrictions can be met.

The Comprehensive Economic and Trade Agreement (CETA) is a free-trade agreement between Canada, the European Union. The agreement is still in the process of ratification by the EU and its Member States but substantial parts of it are already provisionally applied before its formal entry into force. The ratification of CETA will eliminate tariffs on raw oats of 89 Euros per tonne over 7 years and tariffs on processed oats of up to 182 Euros per tonne immediately upon entry into force.

After the removal of tariff barriers, the priority to gain concrete access to the EU market for Canadian oat producers will be the compliance with the EU strict regulation of pesticide MRLs and a nearly zero tolerance for mycotoxins. To meet these stricter regulations, Canadian oat producers will likely have to make some changes to their practices and companies would have to do more mycotoxin testing.

Nevertheless, full compliance with the EU legislation may be worthwhile for Canadian oats producers as there is an increasing oat consumption in the EU after the approval of health claims for oats. France, the Netherlands, Belgium and Germany, which are the largest importers of oats in the EU, are the more attractive national markets. Finland and Sweden are the main potential EU competitors for Canadian oats.

ASEAN countries

The Association of Southeast Asian Nations (ASEAN) is a regional intergovernmental organization comprising ten Southeast Asian states: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam. All together the ASEAN member states have the seventh largest economy in the world and are one of the world's fastest-growing economic regions.



Canada and ASEAN are party to the Canada-ASEAN Joint Declaration on Trade and Investment (JDTI), agreed to in 2011, which provides a platform for Canada and ASEAN member states to exchange information on trade and investment opportunities and to strengthen commercial engagement. Thanks to the good cooperation on trade issues, Canada's trade and investment in Southeast Asia is expanding quickly and the agri-food sector is one of the sectors where the trading relationship is growing faster.

In September 2017, during one of the periodic consultation meetings in the framework of JDTI, Canada and ASEAN member states agreed to launch exploratory discussions to examine the potential for a Canada-ASEAN free trade agreement. The agreement is meant to improve trading relationships which are already fairly developed as the ten-member states of the ASEAN already represent Canada's sixth-largest trading partner.

Some of the ASEAN main countries such as Vietnam and Malaysia are already engaged in the negotiations on the CPTPP and could facilitate the talks. For the Canadian oat producers, the priority for the negotiation is the achievement of a new trade deal with provisions on lower tariffs on Canadian oats for the key countries with larger populations and increasing middle class, specifically Vietnam, Malaysia and Singapore.



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