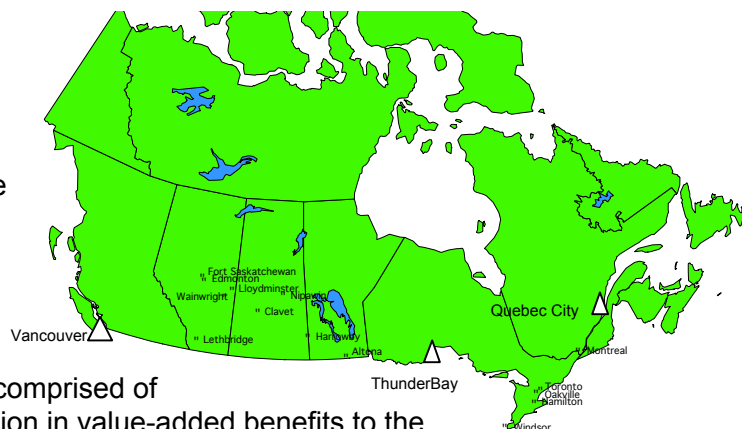




## Oilseed Processing Industry Overview

The Canadian oilseed processing industry (COPA) is comprised of crushing plants, edible oil refining operations and bulk export facilities located in six provinces. Approximately 5.3 million tonnes of oilseeds were processed in 2007 with a total direct economic value amounting to \$3.3 billion. The industry employs more than 1,200 persons in Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The oilseeds processed by the industry are produced by 25,000 farmers located in the Prairies, Ontario and Quebec.

Vegetable oil and protein meal produced by COPA members is a valuable component of the Canadian food and feed processing industries. More than 1 million tonnes of vegetable oil produced by COPA members are used in edible oil foods and other food preparations annually. More than 3 million tonnes of protein meal produced by COPA members are used in livestock feed formulations annually.



The \$3.3 billion direct economic value of the industry is comprised of \$1.5 billion of seed purchases from farmers and \$1.8 billion in value-added benefits to the economy. The contribution of the oilseed processing industry to Canada's balance of payments amounts to \$2.3 billion. The export trade of vegetable oil and protein meal to continental and offshore

markets is fundamental to these financial contributions to the Canadian economy. The members of COPA currently are dependent on export markets for 60% of all vegetable oil and protein meal produced; approximately 3.0 mmt of the total 5.3 mmt that is processed.

The Canadian oilseed processing industry operates under open market conditions – market access under NAFTA is free of tariffs and quotas for all vegetable oil and protein meal fractions. A balanced trade in vegetable oil and protein meal is consistently maintained between Canada and the U.S.A. All pricing of vegetable oils and protein meals produced in Canada, the U.S.A. and Mexico occurs in the context of this continental free trade environment.

### Economic Value of the Oilseed Processing Industry

#### DIRECT ECONOMIC BENEFITS

Farm returns from seed purchases by crushers	\$1,510 million
Value-added from crushing	\$260 million
Value-added from refining and processing	\$330 million
Estimated multiplier effect	<u>\$1,180 million</u>
<b>Total Direct Economic Benefits</b>	<b>\$3,280 million</b>

#### CONTRIBUTION TO THE CANADIAN BALANCE OF PAYMENTS

Domestic oil sales value	\$650 million
Domestic meal sales value	<u>\$360 million</u>
Total import replacement	\$1,010 million
Export oil sales value	\$1,020 million
Export meal sales value	<u>\$245 million</u>
Total export earnings	<u>\$1,265 million</u>
<b>Total Contribution to the Balance of Payments</b>	<b>\$2,275 million</b>

In the off-shore markets, the Canadian oilseed processing industry faces a wider spectrum of trade distorting interventions employed by many of the major oilseed producing regions that are competitors to Canada. Trade distorting domestic subsidies, export support instruments and market access impediments are employed by various nations that, combined, limit the capacity of Canada to fully exploit its natural competitive advantage to expand global market share.

## Global Market Potential

Recently, rising world population and consumer demand has resulted in an accelerated increase in the consumption of oilseed products to a rate of 4.6% annually. Key developing markets for this demand are in Asia and the Indian sub-continent where more than one-third of the world population is found. In those regions, however, per capita consumption of oilseed products is less than one-third of that for the western world. And, the major markets in those regions remain among the most protected with the largest import tariff barriers. As a result, COPA members currently maintain a minuscule market share (<1%) of total oil and meal consumption. Compare this with Canada's current share of the tariff-free U.S.A. market at about 6% of all vegetable oil consumed in that market and 4% of protein meal.

In the LMC International (2006) study completed for the global oilseed processing industry, estimates of the impact of WTO trade reform on consumption were forecast. Select markets that hold large potential for Canadian oil and meal exports are set out here.

Impact Analysis – DOHA WTO Trade Reform Consumption Forecasts				
'000 tonnes	PRE-WTO		POST-WTO	
	Oil (tariffs)	Meal (tariffs)	Oil	Meal
China	16 921 (9%)	25 538 (5%)	22 933	33 047
India	8 899 (45-90%)	3 967 (30%)	11 471	4 089
Japan	2 189 (13%)	5 312 (free)	2 645	6 248
Pakistan	1 936 (32%)	733 (10%)	2 558	949
<b>WORLD</b>	<b>108 777</b>	<b>169 177</b>	<b>138 957</b>	<b>204 441</b>

## Importance of WTO Trade Reform for COPA and Canada

The members of COPA are looking to the Doha Round of WTO to reduce the cumulative impact of all trade distorting instruments and create a fair, equitable, meaningful and tradeable market access opportunity for Canadian value-added oilseed products. While regional or bilateral trade negotiations have created some opportunity for our industry, the significant structural reforms on MFN tariff reductions, tariff escalation and simplification, TRQ expansion, elimination of differential export taxes and elimination of trade-distorting domestic supports that severely impact the trade of value-added oilseed products can only be achieved under WTO negotiations.

The impact analysis study of WTO trade reform conducted by LMC International (June 2006) for this industry indicated that total world trade would expand by 35% for vegetable oil and 45% for protein meal under a successful completion of the DOHA Round. Based upon this analysis, Canadian exports of oil and meal combined would rise from 3.0 mmt to 4.25 mmt. As a consequence, the direct economic benefits of COPA member contributions to the Canadian economy would rise from \$3.3 billion to \$4.7 billion. The increased contribution to Canada's balance of payments would rise from \$2.3 billion to \$3.25 billion.