

UPDATE: Trade dispute between China and Canada

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China extended its ban on Canadian canola seed imports in March this year to include shipments from Viterra Inc. This is the latest development in a wider trade dispute between the two countries, according to reports from Reuters. Viterra is the second canola exporter to have its registration cancelled, after Beijing halted shipments from top exporter Richardson International in the same month. An industry group said that Chinese importers have stopped buying oilseed from Canada, although China continues to import Canadian canola oil and meal.

Safety concerns

Chinese customs officials said in a statement that several pests had been detected in samples taken from cargo shipped by Viterra to the ports of Dalian and Nanning. To prevent the introduction of harmful organisms, Chinese customs cancelled the firm's export registration and would continue to strengthen inspections on all canola imports, Reuters reported.

Canadian Prime Minister Justin Trudeau said his government was trying to resolve the issue and was considering sending a high-level delegation to China to address the country's safety concerns. Viterra was working with the Canadian government and the Canola Council to gather more information. Export products are tested to ensure they meet specific import standards.

A spokesman for the Canola Council of Canada said the industry group is confident about the quality of Canadian canola seed exports, noting that no other global customers had expressed concerns.

China accounts for approximately 40% of Canada's canola seed, oil and meal exports, according to the Canola Council, with seed exports to China worth about US\$2 billion a year.

Effect on exports

The United States Department of Agriculture (USDA) also reported that Canada's rapeseed exports decreased, following the trade dispute with China in a World Markets and Trade report for oilseeds that was published in April. Canada's rapeseed export forecast for 2018/19 was reduced by a million tons this April in response to a slowing pace of trade and the recent trade dispute with China.

Exports are now forecast to reach 10,6 million tons, down slightly from the previous year. However, the export pace will need to accelerate relative to last year to reach the current forecast, as exports for the twelve months ending in January 2019 have fallen to below 10 million tons.

The report stated that to achieve this, Canada may need a quick resolution to the current trade dispute that has cut access to China's market for Canada's two largest exporters. This was in response to China's contention that

shipments have failed to meet quality standards regarding prohibited pests.

While Canada can potentially locate other markets to cover the shortfall, it may not be that easy. Since twelve-month exports peaked in late 2017 at nearly 11,7 million tons, exports to markets outside China have remained flat or have declined. Part of the issue is competition with soya beans, particularly from the US, that has probably contributed to lower demand for rapeseed in the US, Mexico and South Asia. With limited potential to expand trade with Japan, Canada's second largest market, exporters will face significant challenges in the coming year.

Exports of meal and oil

On a more positive note, despite the current restrictions on rapeseed exports to China, exports of products, meal and oil are currently unaffected and exports of rapeseed meal and oil to China are increasing.

Since the end of 2016, China's share of Canada's rapeseed meal exports has risen from 15 to 30%. However, overall export growth has been steady at 6% due to limited crush capacity. Consequently, the rising share of the

Chinese trade has come at the expense of trade with other markets, particularly the US.

For rapeseed oil, a similar pattern exists with a rising share of exports to China, from 21 to 36% since 2016, but this has been at the expense of exports to other markets. Unlike rapeseed meal, oil exports have grown more rapidly since 2016 at 12%, but the prospect of limited supply growth remains a factor due to restrictions on expanding crush volume. 🌱

Figure 1: Trends in Canada's total rapeseed trade (twelve-month totals). (Source: USDA)

