Breeds & Industry Division

TARGET MARKETS

Equine Canada Breeds & Industry Division
Export Market Development Strategy for Canadian-bred Horses

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All equine breeds produced in Canada have the capacity to increase their annual export sales. During the past twenty years, Canadian breeders have been continuously improving the Canadian gene pool for all registered breeds through the importation of breeding stock and semen products from both Europe and the US. Canadian producers now have an excellent pool of equine genetics and an inventory of young horses suitable for competitive success in all performance sectors of international markets.

The challenges in both the key export markets and the targeted export markets are the same. Canadian breeders face market development challenges, not the least of which is developing market awareness for the value of Canadian-bred equids. Equine Canada's marketing strategy is in the process of branding the Canadian equine product. However, as a rule, international market perception for live horses "for use", is that the "best" stock for FEI disciplines is drawn from European bloodline producers. Correspondingly, the international market presently perceives the United States as the "best" producer of horses suited for western-style disciplines.

Results of the "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada) confirmed that short-term, mid-term and long-term opportunities exist for Canada in the key markets of the United States, Mexico, Brazil, Argentina, United Arab Emirates, the European Union (Germany identified) and Australia. China is regarded as a developing long-term market.

United States

The equine industry in the United States produces goods and services in excess of $25.3 billion and has a total impact of $112.1 billion on US gross domestic product. Racing, showing and recreation each contribute more than 25% to the total value of goods and services produced by the industry (Source: American Horse Council). The 1996 *Economic Impact of the Horse Industry in the United States* stated that at the time the herd size was 6.9 million horses of which 725,000 were involved in racing and race horse breeding, 1.9 million in competition, 2.9 million in recreation and 1.2 million were used for farm and ranch work, rodeos, polo, police work. There are an estimated 7.1 million equine owners, riders, drivers and breeders, with 373,000 categorized as youth. The US reportedly to have imported 30,936 horses in 2000, worth a staggering $404,739,000. The USA has well-established post secondary equine educational programs, veterinary facilities and internationally recognized equine research facilities and programs. The USA has a sophisticated government structure, both state and federal, that works with the equine industry. The American Horse Council, with more than 200 association affiliate members represents the equine industry in Congress and in federal regulatory agencies on national issues. *US Equestrian* is the national governing body that represents US interests at the International Equestrian Federation (FEI). It coordinates activities amongst the sectors of the industry and manages the equine community's relations with the US Olympic Committee. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

Existing Opportunities:
Racing Industry: Canada's equine exports continue to realize their largest gross revenue through Thoroughbred racehorses. Canada has achieved "breed-brand" recognition within the international Thoroughbred community through the dominance of the *Northern Dancer* gene pool for Thoroughbred racing. (Canadian-bred Northern Dancer was the most successful sire of Thoroughbred racehorses in the world in the 20th century). Innovative farm practices, availability of high quality feed and large range grazing have coupled with Canadian producers' proximity to markets and sophisticated transportation systems to keep production costs relatively low and stable. Due to the revitalization of the racing industries in Canada, producers are seeing stabilization in sales prices and demand (Source: Canadian Thoroughbred Horse Society and Standardbred Canada). Horses with domestic origins have had a sizable share of the US market for many years.

Existing Challenges:
Marketing and Distribution Channels: The US has the largest number of available marketing channels such as horse-themed magazines and newsletters but this waters-down the impact of advertising on a limited budget. The result is a high cost for broad promotion of Canadian stock in the US marketplace. Promotion through web-based avenues and print as well as at trade shows and conferences must increase in order to reach a larger customer-base.

New Opportunities:
Performance Horses for FEI Sport Disciplines: Brand recognition for Canadian-bred horses suitable for FEI sport disciplines by Quality Assurance Programs and national traceability and identification. Canada's gene pool for Warmblood and Sport horse breeding is highly sophisticated due to breeders' mandate to work collectively through single breed registries incorporated under the Animal Pedigree Act. Unlike in the US where breeds can be represented by a multitude of breed associations that have conflicting standards and rules, Canada's breed registries maintain the highest standards and are moving to the next phase where the offspring are traceable back to the producer. Standards through "Quality Assurance" will have measurements that will improve breeding stock over time. Canada's agriculture sector is technologically advanced and this will allow Canadian equine producers to become leaders in this sector.

Performance horses for Reining and Western Sport Disciplines: Brand recognition for Canadian-bred horses suitable for Reining and Western Sport Disciplines by Quality Assurance Programs and national traceability and identification. Canadian professionals in Reining and Western disciplines competing on Canadian-bred products continue to excel in international competition, held in the US and abroad. There are 229,599 Canadian-bred Quarter Horses registered with the American

Quarter Horse Association. The Canadian Quarter Horse Association are active in creating awareness for the Canadian-bred stock.

Recreation use horses: Brand recognition for Canadian-bred horses suitable for Recreation by Quality Assurance Programs and national traceability and identification. Horses used for recreational riding make up the largest portion of the US herd. PMU farmers are active and organized in the export promotion of the resultant quality Canadian-bred horses.

New Challenges:
Repatriation of Canadian-bred horses to Canadian breed registries and the overturning of US-based registries' decisions to forbid Canadian registered-only horses from competing in US-sanctioned thoroughbred races (including in Canada). The 2003 American Appaloosa Horse Association rule does not recognize Canadian-registered Appaloosas as an approved outcross; because of this rule, horses registered in the Canadian Appaloosa Horse Club of Canada only are forbidden from competing in US-sanctioned Appaloosa competition (in the US and abroad). This is a clear barrier to trade.

Mexico

Mexico is evolving towards an established horse industry, with a structure that extends beyond horse racing and general activities with horses, to include a developing sport and breeding sector. The Mexican Equestrian Federation operates within the guidelines of the National Sport Commission and the Mexican Sport Federation. The agriculture aspects of the equine industry fall under the mandate of the Secretariat of Agriculture and Rural Development. National associations are in place to represent Mexico at the FEI as well as an association of equine practitioners, an association of therapeutic riding and the National Association of Charros. There is an established Mexican Breeders Association as well as associations representing Quarter Horse, Appaloosa and Sport Horse. The Sport Horse Association reported 100-registered stallion, 235 mares and 175 foals in 1999. In the late 1980's the Centre of Artificial Insemination for Horses of the Mexican Army was created, and has developed a Warmblood breeding program for sport horse stock owned by the army. The objective is to develop artificial insemination (AI) and embryo transfer technologies to create internationally successful competition horses while increasing knowledge and practice of reproductive technologies. Mexico reportedly imported 14,265 horses in 2000 with a value of $6,040,000. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))
Mexico has approximately 6.3 million horses from which around 10% (626,000 head) are slaughtered as horsemeat. During the period 1998-2002, the Mexican imports of live horses registered a reduction of 6.3% in terms of volume. However, they registered a growth of 163.9% in terms of value, which indicates an increase in the prices of these animals. Under NAFTA, the Canadian exports of live horses and horsemeat have duty free access in the Mexican market, which represents an advantage over other competitors such as Australia and the European countries. (Source: Kim O'Neil, Agri-Food Counsellor, Canadian Embassy Mexico)

Existing Opportunities:
Horsemeat: The Canadian exports of horsemeat to Mexico jumped from 38 tonnes with a value of US$8,000 in 1998 to 1,758 tonnes with a value of US$2.1 million in 2002. (Source: Kim O'Neil, Agri-Food Counsellor, Canadian Embassy Mexico). Other than horsemeat and individual initiatives by producers, Canada has very conservative export experience with Mexico.

Existing Challenges:
Marketing and distribution channels: Marketing channels are weak in the Mexican equine industry. Canada has a share of less than 1% in the Mexican market of live horses. However, during the period 1998-2002, Canadian exports to Mexico grew from 4 head with a value of US$10,000 to 30 head with a value of US$30,000 (Source: Kim O'Neil, Agri-Food Counsellor, Canadian Embassy Mexico).

New opportunities:
Performance Horses for FEI Sport Disciplines: The Mexican equine industry is evolving as the middle class grows. The potential for long-term opportunities are in products, live horses or genetics, for horses suitable for FEI sport disciplines. "Expertise" in the equine industry appears to be another long-term opportunity for Canada's equine professionals. Canada has the advantage of proximity to the market over our European competitors.

New Challenges:
Marketing and distribution channels: Mexico does not report to have mature marketing channels that could help the Canadian equine industry increase its market share in the live horse "for use" sector. Language will be addressed by translation of promotional material.

Brazil

Central and South America are expanding their infrastructure to support equine development. With Brazil to host the 2007 Pan American Games, support for long-term international market development for Canadian-bred horses, genetics and expertise in Brazil is proposed. Brazil has a population of 172.6 million people, with a growing middleclass, and their equine herd size in 1996 was a staggering 5.5 million. Brazil reports to have imported only 275 horses in 2000 but with a total value of $1,137,000. Agriculture contributes about 9% to the economy. In the equine industry, Brazil's thoroughbred breeding sector is the most developed. The Equestrian Federation of Brazil supports the country's interests at the FEI, but there is little broad-based membership. Instead, it relies heavily on the participation of a limited number of wealthy individuals with private facilities who can finance their endeavours at international-level competition, particularly in the FEI sports discipline of show jumping and the western discipline of reining. In 2002, FEI Group VI (South America) initiated discussion on working together to enhance equestrian sporting activities in the region by: more opportunity for competitors to compete in different countries; address customs issues at borders; address issues of accuracy of horse passports and identification papers; need for FEI vet courses; develop higher levels of competition for the FEI sport discipline of dressage; and coordinate development courses within the group. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

Existing Challenges:
Network of professional organizations is limited and the Equestrian Federation of Brazil has limited resources or represents a small number of participants in equine activities. The availability of marketing and distribution channels for horse-related products is limited.

New Opportunities:
Performance Horses for FEI Sport Disciplines and Performance horses for Reining and Western Sport Disciplines: Brand awareness for horses suitable for FEI sport disciplines and western sport disciplines is limited. Domestic production is Canada's largest competition within the market.

Canadian Expertise: Participation in sport increases if the country is host to a major sporting event. Brazil will host the 2007 Pan American Games. It is the largest sporting event outside of the Olympics. Equestrian competition is vitally important to the countries of South and Central America. As nations prepare for the 2007 Pan Ams, their need for quality horses to compete on will increase. Canada's strategy is tailored to develop closer ties with Brazil as it prepares for the Games. Canada's competitive advantages include price and proximity of product to their market. Canada's reputation as a highly developed nation of equine industry professionals was further enhanced at the 2003 Pan American Games with the following achievements:

- Canada won the individual gold medal in dressage
- Canada won the team silver medal in dressage
- Canadian horse breeder with dual citizenship won individual bronze medal in dressage riding for Dominican Republic
- Canadian industry professionals filled the following positions at the 2003 Pan American Games: Head Technical Delegate; Dressage Judge; Official Photographer; Press Officer (who ran press office); PR Professional (to write daily press releases); Tri-lingual Announcer; Assistant to Course Designer (jump crew); and CBC was the official broadcaster.

Performance horses for Reining and Western Sport Disciplines: Brazil is also active in the western discipline of reining, having fielded a team to the 2002 World Equestrian Games. Participation in the discipline is limited but improving. Reining horses have been imported from the US and support for the sport is through the Brazilian affiliation with the US-based National Reining Horse Association (NRHA), the worldwide governing body of the sport of reining.

New Challenges:
Evidence of national (or sector) member-based associations with structural mandates is very limited as is interaction between associations and government agriculture representatives. The availability of marketing and distribution channels for horse-related products is small.

Argentina

Argentina had the strongest horse industry in South America prior to the region's economic collapse, and the highest percentage of English-speaking people on the continent. Its International Equestrian Federation (FEI) body, Federation Ecuestre Argentina (FEA) is well-established, well-organized and offers many certification programs for instructors, judges, stewards and course designers for FEI disciplines. Argentina has consistently fielded international teams at Pan American Games, Olympic Games and World Championships. There is a good variety of breeds in Argentina with organized associations, including Arabians, Quarter Horses, Percherons, Selle Francais, Peruvian Paso and Thoroughbreds. Argentina is a world leader in embryo transfer technology and artificial insemination. However, there appears to be a lack of expertise at the mid and grass-roots levels of the industry. The horse industry is recognized by the government as very important to the rural economy. "Agenda Ecuestre Argentina" was written into law in 2003, whereby there is funding for education, sport development, equestrian tourism, and promotion through websites and other marketing channels. Each September 20 is National Day of the Horse. The racing industry is the cornerstone of the "non-meat" horse industry in Argentina. It creates 80,000 full-time jobs and 120,000 part-time jobs. Argentina has the world's fourth largest producer of thoroughbreds, at approximately 8,000 born per year. The country has an excellent reputation for breeding thoroughbreds and Standardbreds for racing and polo. Export develop of these breeds appears to be a priority. According to the 1988 Argentina Census, their equine herd size was 1,994,241. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

Existing Opportunities:
Racing: Thoroughbred and Standardbred racing and breeding initiatives between Canada and Argentina are under development.

Existing Challenges:
Marketing and distribution channels: They are established domestically but are untested for international markets. Argentina, in its economic recovery, is focused on export marketing of their racing and polo stock.

New opportunities:
Performance Horses for FEI Sport Disciplines: The Argentinean equine industry is evolving as the middle class grows. The potential for long-term opportunities are in products, live horses or genetics, for horses suitable for FEI sport disciplines. "Expertise" in the equine industry appears to be another long-term opportunity for Canada's equine professionals. Canada has the advantage of proximity to the market over our European competitors.

New Challenges:
Marketing and distribution channels: Language will be addressed by translation of promotional material. Limited market access dominated by EU and US that are well entrenched in industry. Quality Assurance of Canadian products may boost Canada's reputation and brand identifier.

European Union

Dominance of equine activity resides in the European Union where in the United Kingdom, France, Germany, Sweden and Ireland there are more than 5 million people actively involved as owners, breeders, riders and drivers. The estimated total herd size for these countries is estimated at 2.7 million. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

This strategy looks at Germany as the market that may provide access to other target markets. It has a mature equine industry with an estimated herd size of 1 million horses. There are approximately 1.7 million people actively participating, of which 60% are youth. One in three Germans is reported to belong to a sporting club and equestrian ranks third in popularity. The majority of equine and equestrian activities fall under the jurisdiction and coordination of the German Equestrian Federation (FN), which has a membership of 750,000 strong. An estimate of equestrian sport's economic turnover for 2000 was

approximately $8 billion. More 3,000 companies in Germany deal primarily with products for the horse industry. The breeding sector is highly regulated with ten "state stud" facilities, managed by the Ministry of Agriculture, which provide equine breeding and training programs for nationally owned stallions (and broodmares), and as well as hosting for stallion performance and conformation testing programs. By law, breeding stallions must be licensed to breed. Rigorous stallion testing and broodmare evaluation ensures that only the top bloodstock from each foal crop is added to the studbook and licensed for future breeding. In 1998, FN established the German Academy of the Horse to standardize information and industry education programs. The Academy also is responsible for defining industry research goals and priorities pertaining to breeding and the welfare of the horse. Germany reported to have imported 3,941 horses in 2000 with a value of $12,135,000. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

Existing Opportunities:
Equestrian Tourism: German visitors to Canada rank fifth of all visitors. Canada is established as a prime vacation destination and opportunities exist to add/increase horseback riding vacations to the mix.

Marketing and distribution channels: German sport and mainstream media actively promote equestrian sport and in 2001 more than 500 hours of programming with an equine theme was aired on television. Trade fair promotion in Germany is arguably the best organized and attended in the world. Equine trade fairs are supported, promoted and regulated through the German Council of Trade Fairs and Exhibitions (AUMA).

Existing Challenges:
Canada's existing opportunities of live horse exports are limited due to Germany's mature, highly regulated equine industry that is self-sustaining and a net exporter. Currently Canada does not have the key infrastructure in place to market our products on par and in the terms required by the German industry such as stallion performance testing and indexing of breeding stock.

New Opportunities:
Performance horses for Reining and Western Sport Disciplines: Brand recognition for Canadian-bred horses suitable for Reining and Western Sport Disciplines by Quality Assurance Programs and national traceability and identification. Western sport discipline and breeding are established. If Canada can establish regulatory guidelines such as the Quality Assurance Program for western horses before the US does, it has the potential to increase its market share in this sector. It was reported by FN in 2001 that one-sixth of riders in Germany preferred using Western riding equipment.

New Challenges:
Current lack of quality assurance indicators: Successful livestock marketing, particularly for western disciplines, must support "indexing" for performance and results of breeding stock, a goal that Canada is working towards. Another challenge for producers of Canadian Appaloosa horses is the 2003 rule that disallows Canadian-only registered stock from competing in US-sanctioned competition which Germany and other EU countries' competitions are run under.

Marketing and Distribution: Market requires sustained collective marketing since channels are well established. Collective efforts are key to sustaining brand awareness in the long-term. Anecdotally, Canada made the first export promotions into the EU market for the western disciplines but our market share declined because of the lack of repeat exposure. Consequently, the US is the dominant supplier of western discipline horses and EU has developed its own breeding programs for breeds suitable for western riding.

Australia

The equine industry in Australia is strong with 2.94% of its total population engaged as active participants. There are approximately 1.2 million horses, including 300,000 feral horses (2001) and 559,500 owners, breeders, riders and drivers, of which 54% are youth. The National Pony Club boasts 60,000 members nationwide, making Australia the world leader in youth participation in structural riding programs. The Economic Impact of Horse Industry, published in 2001 by the Rural Industries Research and Development Corporation (a federal government organization), estimated the economic impact of the horse industry at $6.2 billion annually, not including the racing sector, which estimates an economic impact of $7.7 billion. Racing is Australia's second-most popular sport with approximately 22,000 races run each year. Australia is the world's leading country (per capita) in thoroughbred ownership, is second to the US in annual thoroughbred foal crop production, and third behind Japan and the US in thoroughbred purse offerings annually. According to the Australian Racing Board, there are 33,000 thoroughbreds and 69,000 of breeding stock while the Inter Dominion Harness Racing Council estimates there are 14,000 Standardbred racing and 33,000 involved in breeding. The Equestrian Federation of Australia, with 13,800 members, represents and governs all FEI disciplines. Breed associations are individually organized with no central representation other than an advocacy role offered by the Australian Horse Industry Council. Non-FEI disciplines and recreational riders have their own clubs. Communications between all sectors of the industry are poor. Australia has excelled at the Olympic level in the FEI sport discipline of eventing but has marginal success at this level in other FEI disciplines of dressage and show jumping. The western sport of reining does not have much presence in the market, probably because of the popularity of the Australian Stock Horse, a native breed which has its own unique brand of competition. One-third of the horses in Australia are used for recreational riding. It is reported that Australia imported 5,022 horses in 2000 with a total value of $60,435,000.
(Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

Existing Opportunities:
Racing: Thoroughbred and Standardbred racing and breeding initiatives between Canada and Australia are established. Membership in the International Trotting Association allows Canada to be an active participant in the activities that surround harness racing around the world and in the decisions that impact international trade including universal identification, breeding issues such as embryo transfer and sire and dam breeding evaluations (a form of indexing), record compilation and updating, and communications amongst member associations. Statistics are not available for this report on the current level of business conducted between Canada and Australia.

Existing Challenges:
Canada's proximity to the target market has limitations, reflected most significantly in the cost of transport, and Australia's stringent regulations with importation of live horses, semen and embryos will take concerted efforts by producers to adapt breeding schedules and requirements for health and quarantine. Marketing channels are limited outside the racing industry.

New Opportunities:
Performance Horses for FEI Sport Disciplines: Resurgence of interest in equestrian sport after the 2000 Sydney Olympics, coupled with a new government plan to restructure and rejuvenate the horse industry, leads to an anticipated projection in growth in the next five years. Australia is strong in the sport of eventing, which predominantly uses the Thoroughbreds, but is weak in show jumping and dressage. There appears to be export opportunity for Canadian Warmblood and Sport Horse stock and genetics.

United Arab Emirates

The United Arab Emirates has developed a highly sophisticated equine industry in a relatively short span of time. Since 1992 when the UAE Equestrian & Racing Federation began, equestrian sport in the region has achieved tremendous growth. The Federation has built a strong infrastructure to support equestrian sport in general and endurance in particular. There are three endurance centres and 22 riding clubs and equestrian establishments. Among endurance's strongest supporters are many members from the Royal families. A member of the Royal family won individual gold in endurance at the 2002 World Equestrian Games. The UAE hosts the FEI/UAE World Cup Endurance and the Dubai World Cup, the richest thoroughbred race in the world, each year. The Emirates Racing Association, established in 1993, oversees all racing. In less than a decade the UAE has emerged as a world-class flat racing venue with owners, trainers and top jockeys all recognizing the country as a leading centre. Show jumping is the third most popular equestrian sport.
(Source; United Arab Emirates Equestrian and Racing Federation)

Existing Opportunities:
Feed, Pharmaceuticals, Vet Expertise, Alternative Therapies, and related products: The UAE hosts the Al Fares Dubai International Trade Fair every second year and the Dubai International Horse Fair in conjunction with the Arabian Horse Championships each year. Both venues welcome upwards of 5000 visitors from 49 countries and are the largest shows of their kind in the Middle East. Through past participation by Canadians and support by the Canadian Consulate in Dubai, Canada has already begun to develop business relationships and attendance at these events will ensure long-term access to the region.

Existing Challenges:
Promotional opportunities: Market access is restricted and must involve the Canadian Consulate for direction and support. The marketing and distribution channels are somewhat limited but very focused due to the highly organized UAE Federation.

New opportunities:
Performance Horses for FEI Sport Disciplines: Horses with potential to compete at the top level of the sport of endurance are in great demand. Reasonably priced trained horses suitable for riding lessons in the English disciplines are sought after. The UAE Federation has developed a long-term plan for the FEI sport of show jumping. Local, regional and international competitions are held regularly and the Federation organizes domestic and international training for its riders and horses. Canadian-bred horses, genetics and expertise may stem from existing business generated through sales of Canadian manufactured products that have had exposure to the market in previous years.

New Challenges:
Limited market access is dominated by EU, Britain, Australia and to a lesser extent, the USA. Participation in equine trade events and missions to UAE are key to boosting Canada's exposure in the region and establishing brand awareness.

China

Economic profile data on the development of markets in China project an annual increase of 10% in the size of the defined "middle class" in China, through 2007, with expectations for increased personal wealth and leisure time in the country well into the next decade. It is also expected that the percentage of the population in the "over 35" age group will increase during the 2003 through 2020 period, with an increasing amount of available leisure time and disposable income. This growing demographic fits the classic model for the participation group most likely to adopt equestrian activities (and horse ownership). China imported only 734 horses in 2000 but their value was $45,004,000. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

Existing Challenges:
Business restrictions: At present, foreign companies are not allowed to directly engage in trading in China. The must either establish a wholly-owned foreign trading company in China or use a trading agent. Establishing joint ventures or strategic alliances with Chinese partners appears to be the easiest access to the market.

New opportunities:
There are two key initiatives underway in China: The development of a breeding, racing and horse show facility in Wuhan (Hubei province), intended to provide the grassroots infrastructure for the launch of a horse-racing industry sector within China. Upon completion, the proposed development will achieve annual production of 2,000 horses per year for the thoroughbred racing and sport horse markets. The 2008 Beijing Olympics, and related requirements for equestrian event facilities and infrastructure also provide opportunities for enhanced sales of Canadian expertise in the development of "horse sport" facilities, and long-term programs for increased participation in equestrian activities by the growing middle class. (Source: "Equine Industry Export Market Opportunities Study" (©2003 Equine Canada))

New Challenges:
Market access: To ensure access to this potential long-term growth market, Canadian producers, service providers and manufacturers should be actively working to develop business relationships in China, to support long-term development. Language and cultural differences will need to be addressed through appropriate promotional material distribution.

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