

Long-Term International Strategy (LTIS)

Executive Summary

Equine Canada's *Long Term International Strategy* (LTIS) has been modified to reflect a significant shift in both the domestic and international marketplace for Canadian horses and equine genetics. In recent years, the Canadian equine industry has been hit by *the perfect storm* of economic factors that impact the economic viability of this important agricultural sector: —

- The economic downturn (starting in 2008), which impacted market prices and sales volumes in domestic markets as well as traditional export markets in the United States and Europe ...
- The closure of horse meat processing in the United States (in 2007) triggered the dumping of U.S. horses into the Canadian processing sector, which has depressed market prices for horses in Canada all along the value chain ...
- Significant cutbacks in the Canadian horse racing sector, resulting in increased inventory of horses (breeding stock and racing stock), and
- An aging demographic in the breeding sector and domestic buyer market.

The result of these recent trends is that the Canadian industry has significant inventory of value-added horses available for sale, and a resource-base of industry expertise to support the development of new markets and the rejuvenation of domestic demand.

To ensure the long-term sustainability of the Canadian equine industry, our industry will focus our market development efforts to achieve two key objectives:

- Developing key export markets with long-term potential for the sale of Canadian-bred horses and genetics, and
- Rejuvenating domestic demand for horses through showcasing the wide range of opportunities available to a new generation of Canadian horse owners.

Economic growth in key emerging national economies provides opportunities for exports of horses and equine genetics into new markets. Successful penetration of emerging international markets requires a cohesive, sustained long-term strategy. Our LTIS focuses on driving export demand for Canadian horses (and genetics) by supporting the development of racing and equestrian sport sectors in emerging markets.

While our goal is to increase live equine and equine genetics export revenue, our LTIS outlines a roadmap of activities that will accomplish three key objectives:

- *Canadians understand and can respond to the needs, preferences and buying habits of international customers.*

- *Canadians promote internationally using the Canada Brand — **Quality is in our nature** — for the equine industry.*
- *Canada is recognized internationally as a mature, developed equine nation where quality horses, ponies, donkeys and mules, equine genetics and expertise can be sought by international buyers.*

AgriMarketing has been an important driver in catapulting the equine industry into adopting a targeted strategy of marketing from a national brand perspective. Under *Growing Forward*, Equine Canada in partnership with our industry stakeholders has participated in export market development programs for the fiscal years 2008-2009 through 2011-2012.

There have been important lessons learned: —

- Marketing initiatives need to be cohesive and continuous. Success in new and emerging markets will be built on establishing (and nurturing) relationships with industry stakeholders and buyers in international markets
 - **Commitment** – to continuous improvement and to building relationships and working with buyers to offer solutions and support that help them meet demands of end-use consumers
 - **Trustworthiness** – consistently delivering on the attributes to our customers will continue to build and reinforce their trust in us
- Canadian exporters will need to capitalize on every possible opportunity to showcase the quality of Canadian horses bred for a diverse range of racing and equestrian sport activities. We need to rapidly identify and respond to developing niche markets in different countries, and to promote the quality of Canadian horses (and genetics) to satisfy the needs of “new” sport, racing and breeding sectors in emerging markets
 - **Excellence/quality** – in our products, processes, attitude and natural endowments of land and water
- Canadian exporters will need to aggressively address competition from other exporting nations active in new and emerging markets. Many of the new and emerging markets for horses are similar to Canada in geographic profile and animal husbandry practices. We will need to promote Canada’s unique strengths and experience in the full range of sport and racing markets.
 - **Customer focus** – as a multicultural country known for its efforts to help others, Canada is well positioned to understand and respond to the needs of international customers
 - **Nature** – our collective values and personality, as well as our clean, pristine landscape and wide-open spaces are strong images that international buyers and consumers associate with Canada



Equine Canada welcomes the opportunity to present a five-year strategy for international market development through the new AgriMarketing programs. We look forward to working with our partners at AAFC and the Government of Canada in 2013-2018.

1. ENVIRONMENTAL SCAN

The equine industry is an important component of Canada's agricultural sector and contributes significantly to the Canadian economy. With a tradition of superior equine husbandry, Canadian breeders are educated, technologically advanced business people who have established breeding programs with the goal of exceeding quality expectations. Due to Canada's landmass, horses are raised in a natural, healthy environment that contributes to their overall hardiness, soundness and mental development. Canada's regulated horse racing and equestrian competition sectors adhere to international standards and Canadian horses are bred to be competitive at the international sport level.



Horses are a unique agricultural commodity. From birth to maturity, value is added at each stage of the horse's development with the end-goal of being successful, and valuable, in the activity it was bred for. The equine industry is defined primarily by sectors of "use". Throughout its lifetime, an individual horse's value is a direct result of its functional use. Each breed is defined by its own set of characteristics (breed standards) and they normally have a genetic advantage and conformational predilection for usage. "In-use" activities normally only begin to be realized when the horse is 2 to 5 years of age.

The equine industry can be categorized into the following *Use Sectors*:

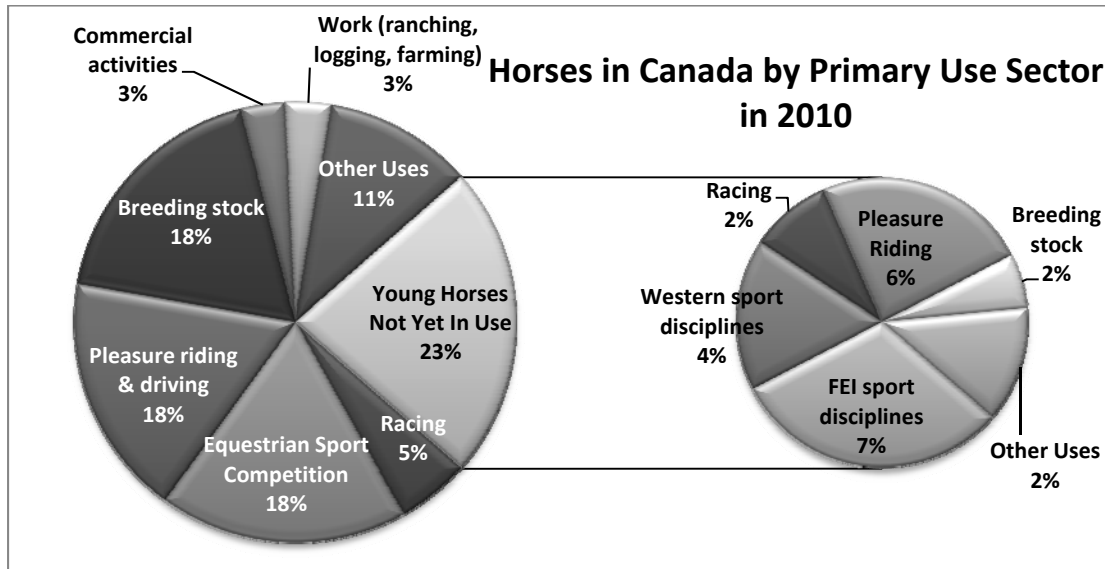
- *Breeding Sector* – includes horses whose purpose it is to breed, such as stallions and broodmares of any breed
- *Racing Sector* – includes horses active in flat racing or harness racing (trotting and pacing races)
- *FEI (Fédération Équestre Internationale) Sports Sector* – includes horses in the eight (8) main FEI sports of show jumping, dressage, Para equestrian, eventing, combined driving, reining, endurance and vaulting
- *Non-FEI Sports Sector* – includes horses bred for breed-specific competitions as well as horses participating in western sport disciplines (barrel racing, rodeo, western pleasure, etc.), polo, and other sports
- *Pleasure Sector* – includes horses in use for pleasure riding and driving
- *Other Uses* – includes horses for commercial uses (riding lessons, tourist activities), work (ranching, logging, farming), meat production or pregnant mare urine production, companionship or full retirement.

In the natural cycle, value is added as the horse matures through the investment in training. As the maturity and training of the horse peaks, so does the value of the animal. It is this animal at the peak of its value that is most attractive to overseas markets.

CANADIAN EQUINE INDUSTRY INVENTORY AND CAPACITY:

The *2010 Canadian Horse Industry Profile Study*¹ estimated 963,500 horses in Canada, of which 744,000 were mature horses allocated to the six *Use Sectors*. The study identified that 23% (approximately 220,000 young horses) were designated as "inventory" because they had not yet matured to a functional use age when value could be added. For young horses designated as inventory, the following figure identifies the target *Use Sector* for which they were bred (intended use at maturity).

Primary Use of Horses in Canada in 2010



Export markets for Canadian stock are served from the available inventory for four *Use Sectors* – breeding stock, racing, FEI sports and non-FEI sports. The inventory of young horses in 2010, would now (in 2013) have reached their Use Sector maturity age, and will have had the benefit of value-added training to enhance their marketability for export. Based on the data from 2010, it is estimated that the inventory of horses available for domestic and international markets is approximately 140,000 horses.

Inventory of Young Horses in 2010 –			
Breeding Stock	13,193	FEI sports	68,164
Racing	19,790	Non-FEI sports	37,380
Total Young Horses		138,527	

The actual inventory of horses available for export markets is significantly higher for breeding and racing stock for international racing markets. The Canadian racing industry has experienced significant shrinkage in racing opportunities resulting from provincial government gaming decisions impacting revenues for purses for racing. In 2009-2010, the Quebec racing industry experienced closures of three-of-four racetracks in the province (75%+ reduction in racing opportunities).

In Ontario, changes to horse-racing funding announced in 2012 have triggered a 40%+ reduction in racing opportunities in 2013, with further reductions anticipated in 2014. Based on 2010 data, of the 45,060 horses active in racing nationwide, 60% (26,340 horses) were active in the Ontario racing sector.² From the reductions in racing activities in Ontario it is estimated that an additional 16,000+ horses will be available inventory for export markets during the 2013-2018 period.

Horses Active in the Racing Sector in 2010	Canada (Total)	Ontario
Horses actively racing in 2010	22,905	13,969
Breeding Stock for racing (active mares & stallions)	9,375	6,163
Young Horses Not Yet in Training (including foals of 2010)	7,498	3,696
Young Horses in Training in 2010	5,281	2,510
Total Horses Racing Sector	45,059	26,338

Long Term International Strategy (2013 to 2018)

Canada's total production capacity (annual foal production) has shown a declining downward trend since 2003. From the 2010 Study, the table below reports annual foal crop for pedigree-registered horses and non-pedigree horses for the 2003 through 2009 period.

Annual Foal Crop	2003	2004	2005	2006	2007	2008	2009
Pedigree Registered	30,788	31,069	29,838	29,393	26,210	26,451	22,753
Non-pedigree	37,318	34,042	27,524	15,827	12,620	12,448	10,463
Total	68,106	65,111	57,362	45,220	38,830	38,899	33,216

It is expected that the modest decreases of registrations per year will continue at the same rate until the economy rebounds. However, since value begins to be added at 1 to 4 years of age and can continue for upwards of a decade depending on the breed and its intended use, there are adequate levels of inventory available for export.

As mostly owner-operator farming units, the overwhelming majority of business units within the Canadian industry fall within the *Small-Medium Enterprise (SME)* definition of less than 500 employees. Of the estimated 23,000 breeder operations in Canada, fewer than 50 employ 250 employees. The industry does not have statistics on the proportion of the sector's output that is produced by SMEs, however it is assumed that it would exceed 95%.

IMPORTS AND EXPORTS:

The CFIA and Statistics Canada record import and export data for horses based on *temporary* imports/exports (for horses moving temporarily between Canada and the U.S. for a period of less than 90 days), and *permanent* imports/exports. Permanent imports/exports are in turn categorized by horses imported/exported for horsemeat production, and those imported/exported for breeding or other uses.

Canada has been a net importer of live horses since 2007, with the significant increase in horses imported from the U.S. for processing in Canada. The closure of horsemeat processing in the U.S. in 2007 resulted in Canadian imports of horses for processing climbing by 312% between 2006 and 2009. In 2012, the number of horses imported from the U.S. for processing is still at 257% of 2006 levels.

HORSES IMPORTED / EXPORTED								
Horses Imported	2005	2006	2007	2008	2009	2010	2011	2012
Permanent Imports (Other Uses)	5,008	5,398	5,185	5,734	5,863	8,147	5,835	4,276
Imports for Feeder/Processing	17,324	21,709	37,727	62,200	67,761	53,834	56,733	55,811
Total Imports	22,332	27,107	42,912	67,934	73,624	61,981	62,568	60,087
Horses Exported	2005	2006	2007	2008	2009	2010	2011	2012
Permanent Exports (Other Uses)	23,541	**	12,071	12,765	10,647	11,966	11,186	9,535
Permanent Exports (For Processing)	**	**	4,188	1,589	806	931	208	1,179
Total Exports	23,541	-	16,259	14,354	11,453	12,897	11,394	10,714

Data source -- CFIA and Statistics Canada

** Data not available

The equine industry's main export products are livestock and equine germplasm (semen and embryos). The value of livestock exports for the 2007 through 2012 period totaled \$285,797,182.

Value of Exports	2007	2008	2009	2010	2011	2012
For Breeding & Other Uses	\$38,885,528	\$50,101,903	\$39,420,680	\$50,278,226	\$44,865,431	\$32,752,955
Avg. value per horse	\$3,221	\$3,925	\$3,703	\$4,202	\$4,011	\$3,435
For Slaughter	\$11,534,010	\$3,865,200	\$2,990,464	\$4,412,307	\$757,391	\$5,933,087
Avg. value per horse	\$2,754	\$2,432	\$3,710	\$4,739	\$3,641	\$5,032
Total Export Value	\$50,419,538	\$53,967,103	\$42,411,144	\$54,690,533	\$45,622,822	\$38,686,042

Data source -- Statistics Canada

There are challenges in accurately reporting the total volume (and value) of exports for horses and genetics related to several factors:

- Statistics Canada reports the volume (and value) of permanent exports of live horses from Canada to foreign countries. However, there is no mechanism in place to identify whether horses leaving Canada as temporary exports (to the U.S.) return to Canada. Due to the availability of international quarantine facilities and more options for international transport of horses out of the U.S., many horses are permanently exported to another destination country via the United States.

During 2007 through 2010, approximately 50,000 horses left Canada as *Temporary Exports* to the United States. An unknown percentage of those horses would have transited the U.S. en route to other countries, and their export (and related value) would be included in the reported values for U.S. exports. This is often the case for Canadian horses that are sold through U.S. auction sales.

- CFIA reports exports of *units* of equine semen to all destination countries other than the United States. Semen exports to the USA do not require export health certificates and are therefore not tracked by any agency. Semen export data recorded by CFIA does not include information regarding breed of horse, so market sectors in destination countries cannot be identified. The value of individual semen exports is also not recorded. Equine semen exports have seen 198% increase in unit volumes during the 2006 through 2009 period. These amounts would be substantially higher if semen exports to the USA were tracked.

Canada's EQUINE SEMEN Exports (USA not recorded)		
Year	Units	Value
2009	4379	unknown
2008	1741	unknown
2007	997	unknown
2006	2213	unknown

Source: CFIA. Data not available for 2010 and later years.

- Each year, a percentage of semen exports are realized “on-the-hoof” through stallion services provided by Canadian stallions standing dual-service in the Southern Hemisphere. In the horse racing sector, the alternate racing and breeding season between Northern and Southern Hemispheres enables Canadian stallions to transit between Canada and Australia/New Zealand and provide stud services in the alternate season. While the value of these export stud services is significant, it is not included in CFIA or Statistics Canada export tracking protocols. By way of example, Canadian Standardbred stallions standing in Australia and New Zealand generated in excess of \$58 million in stud fees for the 2006 through 2011 seasons.

Long Term International Strategy (2013 to 2018)

Foreign Revenue – Canadian Stallions (Standardbred)	2006	2007	2008	2009	2010	2011
Stud Fees Australia & New Zealand (in Cdn. \$\$s)	\$9,303,000	\$7,605,000	\$8,804,400	\$9,936,460	\$11,041,600	\$11,459,200
# of Canadian Stallions	17	16	17	17	22	20
Foreign Matings (Mares Bred)	1,749	1,690	1,741	1,645	1,949	2,052
Avg. revenue per stallion	\$547,235	\$475,313	\$517,906	\$584,498	\$501,891	\$572,960

Source: Standardbred Canada

CURRENT AND EMERGING MARKETS

The overall export market for horses worldwide, increased in value by 31% in the 2000 through 2010 period, from a reported value of \$1.53 billion for worldwide exports in 2000, to \$2.01 billion in 2010. (Source: UN FAO). The number of horses exported worldwide increased by 9% for the same period, from 293,594 horses in 2000 to 320,074 horses exported in 2010. In 2000, Canada ranked 10th of 91 nations exporting horses, with a market share of 2% (based on total value of exports), and 6% (based on volume of horses exported).

The economic downturn that started in 2008 has had a significant impact on worldwide exports for horses, affecting the total value and volume of worldwide exports, as well as the number of exporting countries active in the marketplace. The table below compares exports (by value and quantity) for the 2006 through 2010 period.

Worldwide Horse Exports	2006	2007	2008	2009	2010
Total export value (all countries)	\$2,192,332,000	\$2,425,841,000	\$2,411,478,000	\$2,089,715,000	\$2,011,514,000
# of exporting countries	110	103	103	100	98
Canada's rank (by value)	10th	10th	11th	11th	10th
Canada's total export value	\$ 49,381,000	\$ 48,156,000	\$ 52,005,000	\$ 38,707,000	\$ 61,575,000
Canada -- % of market by value	2%	2%	2%	2%	3%
Total export quantity (all countries)	338,677	287,292	338,677	294,139	320,074
# of exporting countries	110	103	103	100	98
Canada's rank (by quantity)	3rd	3rd	4th	4th	3rd
Canada's total exports by quantity	21,943	16,457	14,494	11,614	12,897
Canada -- % of market by value	6%	6%	4%	4%	5%

Source: UN FAO. Currency reported in U.S dollars

Canada has been able to maintain market share (of a reducing market) during the period, with an increase in market share in 2010. However, as noted on page 6, Canada has experienced a 17% overall reduction in the number of horses exported annually between 2010 and 2012. Canada's exports by value have decreased 29% in value for the same period (2010 to 2012). There is no data available for worldwide exports for 2011 and 2012 by which to compare Canada's performance against competing exporting countries.

Trends for import volumes (and value), indicate a softening of imports into Canada's traditional export markets in USA and Europe, and increased imports into regional markets in Central and South America, China, Australia and South Africa. The tables below identify trends for quantity and value of imports for the 2006 through 2010 period, for selected regions and countries.

Horses Imported (Value & Quantity of Horses)	2006	2007	2008	2009	2010	% change Qty/Value
European Union (value)	\$1,401,578,000	\$1,389,516,000	\$1,227,187,000	\$985,027,000	\$952,369,000	-19%
Europe Union (quantity)	125,894	117,424	102,154	86,931	80,689	-40%
Central America (value)	\$22,587,000	\$35,822,000	\$43,171,000	\$44,380,000	\$56,284,000	272%
Central America (quantity)	23,823	60,383	75,419	83,592	110,048	566%
South America (value)	\$10,755,000	\$14,549,000	\$27,314,000	\$22,692,000	\$26,443,000	243%
South America (quantity)	4,346	3,784	4,574	4,955	4,443	38%
USA (value)	\$304,147,000	\$379,461,000	\$310,702,000	\$219,563,000	\$226,794,000	-24%
USA (quantity)	25,782	20,840	16,715	14,301	14,453	-54%
France (value)	\$87,761,000	\$96,593,000	\$133,674,000	\$87,966,000	\$80,831,000	23%
France (quantity)	7,655	7,381	8,961	6,157	6,284	-22%
UK (value)	\$838,028,000	\$792,450,000	\$602,111,000	\$497,852,000	\$495,583,000	-29%
UK (quantity)	7,373	4,845	3,498	2,802	3,431	-32%
Australia (value)	\$92,887,000	\$97,419,000	\$118,425,000	\$78,158,000	\$104,384,000	32%
Australia (quantity)	3,616	2,598	2,707	1,960	2,089	-26%
China (value)	\$61,007,000	\$64,324,000	\$98,427,000	\$85,408,000	\$90,923,000	51%
China (quantity)	1,028	845	1,202	1,248	12,730	1041%
Brazil (value)	\$ 2,645,000	\$ 2,457,000	\$ 4,146,000	\$ 2,996,000	\$ 8,451,000	874%
Brazil (quantity)	569	779	945	1,735	1,210	147%
Argentina (value)	\$ 2,054,000	\$ 3,681,000	\$ 9,373,000	\$ 4,918,000	\$ 3,986,000	76%
Argentina (quantity)	603	682	938	696	546	14%
South Africa (value)	\$19,611,000	\$11,254,000	\$11,254,000	\$ 5,268,000	\$20,879,000	137%
South Africa (quantity)	727	583	624	391	440	-9%

Source: UN FAO. Currency reported in U.S dollars

China: -- Imports into China for the 2006 through 2009 period were predominantly into the horse racing sectors of Hong Kong and Macau, with less than 500-horses-per-year imported to Mainland China. Imports reported for 2010 represent significantly increased imports into Mainland China, for both racing and equestrian sport activities. Imports to China in 2010 included \$6,744,273 for horses sourced (exported) from Canada. China has been identified as a key target market for exports from Canada during the 2013 through 2018 period. Equine Canada has developed a specific strategic plan for addressing increased exports to China – a copy of which is attached as an appendix to this report.

China identified sport as a top priority in the Government's current 10 Year Plan, and equestrian sports are expanding at an exponential pace. Prior to the 2008 Olympic Games, Canada assisted with the training and certification of many Chinese officials for the Games at the Spruce Meadows international competition facility in Calgary, Alberta. In December 2012, Spruce Meadows announced the export to China of quality warmblood horses from their breeding program.

In addition to the technical and governance assistance provided for the 2008 Olympiad, Spruce Meadows is currently working with Chinese authorities in developing a training and high performance model to allow Chinese riders to compete at an international level in the future.

South Africa: -- Imports into South Africa are bolstered by SA government support for expanding participation in horse racing in South Africa beyond the traditional demographic that has historically dominated the ranks of race horse ownership. A recent BBC video news brief (available for viewing at <http://www.bbc.co.uk/news/world-africa-21866607>) reports on new government initiatives to expand ownership and participation in the thoroughbred racing sector. Additional government support is in place to establish a new harness racing industry in South Africa. With the first racetrack for harness racing opening in 2013, and a licence for pari-mutuel wagering on the races, the Standardbred racing industry in South Africa is a key example of a “new” market for Canada. South Africa is looking to purchase broodmares and stallions to develop an in-country breeding program for Standardbreds.

The South African market also requires expert resources and buyer education and training in key areas of Standardbred racing – managing a pedigree stud book, training harness-racing trainers and drivers, breeding programs that include artificial insemination (AI). As one of the world’s leading harness racing jurisdictions, Canada has considerable depth of expertise to offer in all areas of developing the harness racing industry in South Africa.

Canada is well positioned with a significant inventory of suitable Standardbred horses to meet South Africa’s needs. We are also well positioned to meet longer-term needs as an experienced exporter of equine semen from the Canadian Standardbred industry.

Central & South America: Growth in horse imports for both Central and South America is driven by significant expansion in horse racing and equestrian sports. Thoroughbred racing has expanded to include Argentina, Brazil, Chile, Peru, Uruguay and Venezuela. Quarter Horse racing is now well-established in Brazil and expanding in Argentina. Standardbred (harness) racing is in its infancy, developing in Argentina.

Expansion in participation in FEI-sport activities has been significant in both Central and South America. As reported by the Fédération Équestre Internationale (FEI), the number of FEI-sanctioned equestrian events worldwide increased 100% between 2005 and 2011. Of this increase, more than half (51%) are the result of new events held in Central and South America during the period. At the 2011 Pan American Games (hosted in Guadalajara, Mexico), representative teams from sixteen Central and South American nations participated in the equestrian competitions for show jumping, dressage and eventing.

In 2015, Canada will host the Pan American Games in Ontario. It is anticipated that more than 1,000 horse industry stakeholders from Central and South America will be in attendance to support equestrian competition events. The 2015 Pan American Games provide an exceptional opportunity for the Canadian industry to showcase (and educate) key decision-makers from Central and South America on the quality and value of Canadian horses.

Australia: The 32% increase in imports for Australia during the 2006 through 2010 period reflects the strength of the Australian racing sector, including significant growth in harness racing (Standardbred horses). As noted on page 7 of this report, Canadian Standardbred stallions standing dual-hemisphere service in Australia have achieved a 11% increase in annual mares bred, and an 18% increase in annual revenues from stud fees for the corresponding 2006 to 2010 period.

Australia is also experiencing growth in the FEI sport of reining and western sport disciplines, creating export opportunities for Canadian-bred Quarter Horses and other breeds suitable to western style competitive sports.

MARKET ACCESS ISSUES:

One of the major factors impacting market access to emerging markets is the cost of transportation to destination countries, and the requirements around pre-export quarantine and testing based on the specific destination country. Most high value horses travelling outside of North America are transported by air, since the long travel time required for shipping by sea can be onerous for horses. Options for air transport for horses from Canada are via Toronto or Calgary airports.

The movement of horses internationally requires both pre-export and post-import quarantine, and mandatory health testing prior to export. Canada's only CFIA recognized quarantine facility is at Spruce Meadows (in Calgary). The majority of Canadian horses shipping overseas do so via USDA approved quarantine facilities in Atlanta, Los Angeles, Miami, Houston, Lexington, and New York.

Horses are transported by air in custom-designed pallets that are configured to include three-to-eight stalls per-pallet. Costs for air transport for horses (including quarantine and testing) from Canada to Europe are generally in the range of \$8,000 to \$10,000 per horse (when grouped with multiple horses per pallet). Costs for transporting horses to Asia or Australia/New Zealand are generally in the \$15,000 to \$18,000 per horse range (again, assuming multiple-horses shipped). Costs for shipments of horses to Central and South America are lower when exiting from facilities in the southern U.S. states. However, Canadian exporters must bear the additional expense of transportation from Canada to the U.S. quarantine facilities.

The requirements for pre-and post-import health testing for horses are not synchronized world-wide. There are not only inconsistent regulations for which tests are required, but inconsistencies in the laboratory testing procedures between countries. Initiatives are underway (through the OIE and FEI) to develop harmonized requirements for the import-and-export of horses internationally. The participation (and support) of the CFIA to this process would enhance opportunities for Canadian exporters.

While not a specific market access risk factor, an additional issue for consideration for export of equine semen into emerging markets will involve the increased use of frozen semen. The current industry practice for the majority of Canadian breeders is for the collection and insemination of "fresh-chilled" semen, with an average maximum use time of three-to-four days from collection to use. As noted earlier in this report, Southern Hemisphere markets for Canadian genetics are mostly handled "on-the-hoof", with stallions travelling to the destination country for either live cover or collection of fresh-chilled semen for AI procedures. As Canada expands export markets, additional work will need to be done within the industry to support increased exports of frozen semen into new markets.

For developing markets in China, the objective of this 2013-2018 LTIS strategy is focused on increased exports for live horses. However, over the longer term, it is expected that China will also present an attractive market for semen exports from Canadian stallions. Under current Chinese import regulations, semen imports are only allowed for research purposes. Active negotiations between Canada and Chinese government regulators to enable China's import of equine semen for breeding purposes would secure long-term access to this important international market for Canadian breeders.

PARTNERS AND STAKEHOLDERS:

Equine Canada represents, promotes and serves Canada's equestrian community and equine industry. It is recognized by Agriculture and Agri-Food Canada, Sport Canada, the International Equestrian Federation (FEI), the Canadian Olympic Committee and the Canadian Coaching Association as the national organization representing equestrian sport and equine industry interests in Canada.

Long Term International Strategy (2013 to 2018)

With more than 78,000 members, Equine Canada organizes its operations through divisions, responsible for Sport, Industry, and Recreation activities. Provincial equestrian organizations for all ten provinces and the Yukon Territories are affiliated with Equine Canada, and their members enfranchised as voting members of Equine Canada.

Through its Industry Division, Equine Canada operates as an alliance of national associations representing equine breed and breeder interests in the Canadian industry. Affiliate membership is open to all national associations representing specific breed interests. There are forty breed associations operating in Canada, representing approximately 30,000 individual breeder members, of which approximately 27,000 members are represented to Equine Canada through their national breed association. Equine Canada has an open door policy in which small associations can have observer status if they cannot meet the affiliation fee required for full membership.

Equine Canada's Industry Council will oversee the development and implementation of the LTIS moving forward. As defined by its member associations, the responsibilities and mandate of Equine Canada Industry Division include:

- Promoting and marketing Canadian-bred horses, domestically and internationally
- Liaison with Agriculture and Agri-Food Canada
- Developing a national identification system for horses
- Advocacy to government, media, international organizations and general public, on the Canadian equine industry
- Liaison with Canadian Embassies and Consulates
- Supporting herd health and horse improvement research
- Promoting skills development, standards and certification for horse industry employees
- Recommending standards for animal welfare

Equine Canada will draw on its unique network of members and affiliate organizations as partners in the implementation of this LTIS. Generic and multi-breed international promotional activities will involve partnerships with national breed registries and associations. Expert resources to support buyer training and education in target markets will involve partnerships with national sport experts in racing and sport competition.

In addition to partnering with affiliate national organizations, this LTIS proposes the development of a national *SME Export Program*, specifically tailored to empower individual SME operations to identify and capitalize on targeted market development opportunities.

Equine Canada's role in the implementation of the SME Export Program includes:

- Management and reporting on program activities
- Providing coordination and support services to partner organizations and SMEs
- Export market preparedness training specific to new markets
- Providing market analysis and research to support new market development
- Development of tools to assist in linking buyer-to-seller, and to manage the on-going marketing of available horses for sale
- Developing an effective results-reporting program for monitoring outcomes of project activities

COMPETITION FOR EXPORT MARKETS:

As reported on page 7, Canada has generally ranked 10th or 11th in total worldwide export value of horses when compared to all horse exporting nations ... with 2% to 3% market share (by value) of overall exports. For worldwide exports, 50% of total market share (by value) rests with the top three exporting nations – United States, United Kingdom and Ireland. The table below represents ranking of the top 11 exporting nations in 2010 (based on UN-FAO data).

Live Horse Exports by Country -- 2010	Value	% Market Share	Quantity of Horses Exported
United States of America*	\$414,788,000	21%	168,615
United Kingdom	\$379,292,000	19%	6,931
Ireland	\$208,893,000	10%	2,945
Germany	\$138,966,000	7%	5,593
France	\$136,937,000	7%	13,020
Netherlands	\$136,448,000	7%	6,607
New Zealand	\$123,844,000	6%	3,368
Australia	\$103,274,000	5%	3,153
United Arab Emirates**	\$63,488,000	3%	464
Canada	\$61,575,000	3%	17,475

All currency US dollars. * Exports from USA include an estimated 120,000 horses for processing in Canada and Mexico
 **Values for United Arab Emirates represent exports of Arabian Horse bloodstock

Exporters from the U.S. and European countries have dominated the leaderboard for international exports for more than ten years. As outlined in the table below, relative positioning for market share have been relatively stable for the 2006 through 2010 period.

Annual Exports – Top ranked countries	EXPORTS BY VALUE U.S.\$ ('000)					% MARKET SHARE BY VALUE				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
United States*	\$ 495,760	\$ 444,533	\$469,128	\$ 474,164	\$ 414,788	23%	18%	19%	23%	21%
United Kingdom	\$ 492,460	\$ 654,400	\$606,847	\$ 507,986	\$ 379,292	22%	27%	25%	24%	19%
Ireland	\$ 210,355	\$ 221,016	\$212,972	\$ 214,613	\$ 208,893	10%	9%	9%	10%	10%
Germany	\$ 129,731	\$ 178,221	\$154,052	\$ 120,826	\$ 138,966	6%	7%	6%	6%	7%
France	\$ 121,725	\$ 147,721	\$125,096	\$ 111,915	\$ 136,937	6%	6%	5%	5%	7%
Netherlands	\$ 119,476	\$ 138,695	\$106,741	\$ 102,108	\$ 136,448	5%	6%	4%	5%	7%
New Zealand	\$84,300	\$ 96,038	\$106,493	\$ 92,618	\$ 123,844	4%	4%	4%	4%	6%
Australia	\$88,815	\$ 99,590	\$114,807	\$ 105,374	\$ 103,274	4%	4%	5%	5%	5%
Canada	\$49,381	\$ 48,156	\$52,005	\$ 38,707	\$ 61,575	2%	2%	2%	2%	3%

The success of European countries has been (and continues to be) leveraged by government support funding for export initiatives, and well-established horse export market development programs.

The dominance of exports from the United States reflects the depth of resources available to specific sectors of the U.S. industry, and the investment by state organizations and breed sectors in international marketing infrastructure. For example, the State of Kentucky invests heavily in the support of export marketing through leveraging its brand as *Bluegrass Horse Country*.

Long Term International Strategy (2013 to 2018)

In 2010, Kentucky hosted the World Equestrian Games, and capitalized on the opportunity to showcase the Kentucky industry with a \$2 million investment in international marketing attached to the Games. The Canadian horse industry will host the equestrian events of the Pan American Games (in Ontario 2015), and the World Equestrian Games (Quebec 2018), providing similar opportunities for Canada to showcase the Canadian industry to the international marketplace.

Australia and New Zealand are examples of exporting nations that have been successful in establishing increased export market share through developing specific niche markets for their horses (racing and breeding stock). With a focus on exports to Asia (South Korea, Japan, China), Australia and New Zealand have both successfully capitalized on their geographic advantage (lower transportation/shipping costs) in these markets. Both countries are expanding into emerging South American markets.

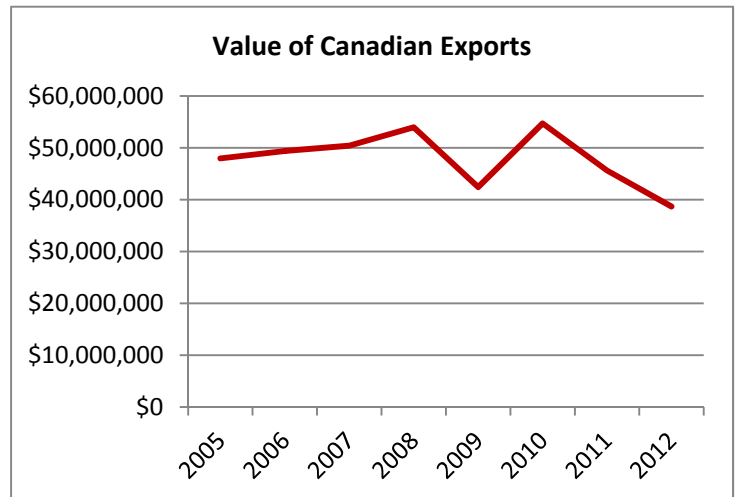
Several exporting nations have identified the potential growth and opportunities in China's developing market. National pavilions at the 2012 *China Horse Fair* included France, Germany, UK, USA, Japan, Hungary, Belgium, Netherlands, Switzerland, Italy, Denmark, Portugal and Sweden. Canada has participated in the *China Horse Fair* in previous years (2010 and 2011), but did not attend in 2012 (due to funding constraints). The 2013 CHF is scheduled to take place in Beijing in October 2013, and is an identified component of the Equine Canada 2013-2018 plan.

During the 2004-05 through 2011-12 fiscal years the Canadian industry invested approximately \$875,000 in cooperative export market development activities, including approximately \$437,000 in funding support through AAFC market development programs for the corresponding period.

Export Market Development Investment	2005	2006	2007	2008	2009	2010	2011	2012
AAFC (CAFI/AMP) Funding	\$253,537	\$184,873	\$261,024	\$378,203	\$275,121	\$291,294	\$134,866	\$107,897
Equine industry investment	\$253,537	\$184,873	\$261,024	\$378,203	\$275,121	\$291,294	\$134,866	\$107,897
Total investment	\$507,074	\$369,746	\$522,048	\$756,406	\$550,242	\$582,588	\$269,732	\$215,794
% change previous year		-13%	39%	26%	3%	-3%	-67%	6%
Value of Cdn. Horse exports*	\$47,960	\$49,381	\$50,419	\$53,967	\$42,411	\$54,690	\$45,622	\$38,686

*Value of Canadian Live Horse Exports in Cdn. \$ (000s). AAFC funding represents fiscal years 2004-05 through 2011-12.

While Canada's investment in export market development for horses has been modest (compared to competing nations), there is a direct correlation between increased value in live horse exports for the period corresponding to the annual investment in market development activities.



INTERNAL ENVIRONMENT – The Canadian Equine Industry	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Established breeding programs that meet international standards for the full range of equestrian sport and racing market sectors. • An experienced pool of educated, technologically advanced breeders, supported by the regulatory framework of the Animal Pedigree Act, and the organizational structure of national breed associations. • Inventory available to support export market needs for international equestrian sport and racing market sectors. • Depth of expertise in multiple vertical breed/sport specific market sectors (for equestrian sport and racing). • Strengths and experience in artificial insemination technologies to support export of genetics. • Canada Brand framework as a focal point for national marketing strategy. • Lessons learned (and experienced gained) through previous export market development initiatives (2004 to present). 	<ul style="list-style-type: none"> • Aging demographic for breeder/production sector. Ongoing exporter education programs will be required as participation in the breeding / production sector evolves. • Lack of readily accessible marketing tools to support breeder export initiatives, including a mechanism to continuously identify and capitalize on new and emerging markets. • Commitment of resources for a continuous, cohesive multi-year marketing effort. • Government reporting methods for tracking exports under-represent the value of all exports from the sector. A mechanism is required to more accurately report the value of exports (of all types) from the Canadian equine industry. • Strong competition from established export market development programs from other countries. • Canada’s geography ... horses (and breeders) are widely distributed across the country, presenting challenges for coordinating showcase activities for the Canadian industry.
EXTERNAL ENVIRONMENT – The International Marketplace	
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Request from South Africa for support to develop the harness racing sector, including sale of Standardbred broodmares and stallions, and long-term exports of semen. • Upcoming international showcase opportunities in Canada aligned with emerging markets (PanAm Games in 2015 in Ontario and World Equestrian Games in 2018 in Quebec). • Opportunities in Brazil and Argentina for exports of horses for FEI sport competitions, Quarter Horse racing, and potential longer-term markets for Standardbred racing/breeding stock. • Opportunities for expanded sales to China for horses (and genetics) into the rapidly expanding market for FEI sports, and racing. • Opportunities to expand stallion stud services to Australia and New Zealand for the expanding Thoroughbred and Standardbred racing sectors. 	<ul style="list-style-type: none"> • Competition from other exporting countries, specifically competition from Australia and New Zealand for emerging markets in South America and South Africa, and several nations actively promoting horse exports into China. • High transportation/shipping costs for horses from Canada to distant markets may impact price competitiveness for Canadian exporters. • The lack of multi-year commitment to funding for export market development would inhibit the industry’s ability to invest the resources required to develop long-term emerging markets. • Potential weak economic conditions in target markets would impact growth in exports for high-value livestock (horses and genetics for racing and sport competition). Participation in equestrian sports (and related export markets for horses) is impacted by general economic conditions (as evidenced by the effect on exports resulting from the 2008 downturn).

2. VISION AND STRATEGIC OBJECTIVES

The vision for the equine sector encompassed by our 2013 to 2018 Long Term International Strategy is to achieve three key objectives:

- *Canadians understand and can respond to the needs, preferences and buying habits of international customers.*
- *Canadians promote internationally using the Canada Brand — **Quality is in our nature** — for the equine industry.*
- *Canada is recognized internationally as a mature, developed equine nation where quality horses, ponies, donkeys and mules, equine genetics and expertise can be sought by international buyers.*



Through achieving these objectives, our goal is to increase live equine and equine genetics export (measured by quantity and value of exports) during the current five-year business cycle.

While it is expected that there will be continued exports into our traditional markets (USA and Europe), the focus of our efforts will be on activities that address the development of long-term growth markets for Canadian exports in new and emerging markets for equestrian sport and racing activities.

Growth in international markets for horses is evident in the emerging economies of Asia, Central America, South America, and specific national markets in South Africa and Australia. During the 2013 through 2018 period, the equine industry will focus on developing new and emerging markets for our horses where demand in target countries aligns with available Canadian inventory and production.

Our plan for developing new and evolving markets for horses requires a multi-level approach and a multi-year investment in market development activities by our industry stakeholders. The plan will involve all levels of our industry with coordinated efforts through the following sales channels:

- **Generic** – industry-led marketing direct to potential customers
- **SMEs** – targeted according to opportunities
- **Vertical** – delivered through partner regional groups that showcase Canadian production, or partner breed registries that target niche markets

Through our industry's participation in export market development programs in previous years, important lessons have been learned:

Penetrating and developing export markets is a multi-year process. For the equine industry, long-term success in export markets is dependant on establishing a network of buyers from industry professionals active in sport and competition sectors in target markets.

Developing new and emerging markets for Canadian exports will require a value-added sales approach, where Canada is recognized as a key resource for expertise to assist in the development of racing and competition sport sectors. Recognition of Canadian exporters as *market developers* will support and enhance long-term export sales for our horses and genetics.

Maximizing the use of limited resources will be an important element to success. Canada has international level expertise (and horses) in the full range of racing and equestrian sport sectors. With the exception of some key sectors (the Ontario racing sector, for example), this expertise (and the inventory of suitable horses) is widely distributed across the country. Horse production is dominated by SME operations, supported by 20+ industry associations with specialty expertise

and interests in a single sector of the industry. There are common needs between all sectors for infrastructure and marketing tools to support penetrating and developing new markets.

With a focus on new and emerging markets, it will be important that we develop marketing tools for our industry partners and templates for activities that can easily replicated and rapidly deployed by different sectors, in different markets.

The approach to supporting Canadian exporters in developing long-term markets is a simple one that has been successfully applied by our competitors in international export markets (Ireland, France, UK, USA, Australia, New Zealand):

- Implementing a **cohesive** market program,
- With a **consistent** message,
- With **continuous** support for program delivery over the five-year cycle.

Our balanced plan includes a combination of activities that include research, capacity building, buyer education and training, missions, trade shows and most importantly, branding and promotion. Target markets include China, South Africa, Australia and PanAmerican markets with a focus on Brazil and Argentina.

To achieve measurable success for penetrating and developing new international markets, we have organized the elements of our Work Plan into two models. Activities for **Generic** and **SME** promotions have been organized based on activity categories (export capacity building, trade seminars, incoming/outgoing exploratory missions, research, etc.).

Projects to address specific **Vertical** markets opportunities (PanAmerican Showcase in 2015, and development of markets for Standardbred in South Africa) are organized in a “pilot project” model. This *pilot project* approach has been designed to create a model for developing vertical markets either for different regions of the Canadian industry, or for specific international niche markets. With proven successful outcomes, these models will provide templates for the development of specific vertical markets in the future.

We endeavour to fully use the Canada Brand – **Quality is in our nature** – to communicate Canada’s equine industry story to national and international communities through traditional media, promotional projects and more fully through social media and online. The core messages of the Canada Brand are directly in line with our industry’s needs for establishing international networks of potential buyers, and leveraging a value-added sales approach based on Canadian expertise.

- **Commitment** – to continuous improvement and to building relationships and working with buyers to offer solutions and support that help them meet demands of end-use consumers
- **Trustworthiness** – consistently delivering on the attributes to our customers will continue to build and reinforce their trust in us
- **Excellence/quality** – in our products, processes, attitude and natural endowments of land and water
- **Customer focus** – as a multicultural country known for its efforts to help others, Canada is well positioned to understand and respond to the needs of international customers
- **Nature** – our collective values and personality, as well as our clean, pristine landscape and wide-open spaces are strong images that international buyers and consumers associate with Canada

3. PERFORMANCE AND RISKS

Our LTIS has identified three key objectives for the 2013-2018 period with specific activities to achieve each objective.

Canadians understand and can respond to the needs, preferences and buying habits of international customers.

- Development of marketing toolkits for Canadian exporters
- Developing On-line auction sale capacity
- On-going export education programs for Canadian SME producers/breeders
- In-bound and out-bound exploratory missions to-and-from target markets
- International market research to support target marketing in developing markets



*Canadians promote internationally using the Canada Brand — **Quality is in our nature** — for the equine industry.*

- Industry-wide branding, promotion and advertising
- Trade show participation
- Support for SME marketing activities

Canada is recognized internationally as a mature, developed equine nation where quality horses, ponies, donkeys and mules, equine genetics and expertise can be sought by international buyers.

- Multi-lateral conference participation
- PanAmerican Showcase event
- South African Standardbred Market Development

Targets for each group of activities will be measured through ...

- Participation in marketing / project activities by Canadian stakeholders
- Participation by potential customers in target markets
- Increased exports (measured by quantity or value) into target markets
- Market share maintained (or grown) for Canadian exports in target markets

As identified in this report, there are elements of our existing export markets that are under-represented in the current CFIA and Statistics Canada structure for recording and reporting export sales.

- Semen exports to the USA
- Semen exports by breed or market segment in other countries
- Horses permanently exported from Canada via temporary exports to the USA
- Export sales generated through dual-hemisphere stallion services

As an component of the Workplan, mechanisms will be established (through exporter surveys, or SME / association partner reporting) to improve reporting of results.

Canadians understand and can respond to the needs, preferences and buying habits of international customers.

Strategic outcomes	Baseline	Target (by 2018)	Data sources
Development of marketing toolkits for Canadian exporters	New activity starting in 2013	Development of minimum seven toolkit elements	Web-based visits to and downloads for toolkit elements
Key Risks: Likelihood of completion high. Limited risk other than availability of sufficient funding resources			
Developing On-line Auction Sale capacity	New initiative in 2013, launching with pilot sales for Standardbred sector	Minimum ten annual on-line auction sales, from three-or-more different breed sectors.	Reporting by participating breed sector associations for buyers participating in on-line auctions, number of purchasers, and value of Canadian bred horses sold via on-line auctions
Key Risks: Likelihood of completion high. Limited risk other than availability of sufficient funding resources			
On-going export education programs for Canadian SME producers/breeders	Participation by thirty individual SMEs in 2011 in export education symposiums	Annual participation of 50+ individual participants	Feedback from participants, (internal surveys), and increased number of participants in export market development initiatives
Key Risks: Likelihood of completion high. Target levels of participation may be lower than anticipated due to changing participation in the Canadian breeding/production. New people entering the breeding sector may have an initial focus on marketing to domestic market demand (i.e. a delayed focus on export market development).			
In-bound and out-bound exploratory missions to-and-from target markets	Two outbound missions to China in 2011, one in-bound mission from China in 2011	Inbound missions for visitors from China (2013 through 2017), from Brazil (2015 and 2017), from Argentina (2015 and 2017). Outbound missions to China (2014 through 2017), to Brazil (2016 and 2017), to Argentina (2015 and 2017)	Number of participants visiting along with a report on the results of the meetings such as identified threats and opportunities (internal survey) Number of strong sales leads, follow-up to requests or distribution agreements (internal survey)
Key Risks: Requires lead-time to coordinate (and commitment to a multi-year program for missions) to ensure maximum participation in missions.			
International market research to support target marketing in developing markets	2003 International Export Market Opportunity Study (©Equine Canada)	International trend analysis research, and market profile analysis for Brazil, China and Argentina completed	Number of new markets or opportunities identified (report conclusions) Number of members using research reports (member surveys, web based performance measurement tools)
Key Risks: Likelihood of completion high. Limited risk other than availability of sufficient funding resources			

Long Term International Strategy (2013 to 2018)

Canadians promote internationally using the Canada Brand — Quality is in our nature — for the equine industry.

Strategic outcomes	Baseline	Target (by 2018)	Data sources
Industry-wide branding, promotion and advertising (print and web-based)	Participation in international advertising initiatives (2008 through 2010) with five national breed associations	Adoption of Canada Brand messaging for national breed association promotions Participation by 10 national breed associations for international promotional programs Multi-language promotional materials developed appropriate to target markets	Number of information requests received by participating industry partners (through internal survey) Number of targeted website hits such as clicks on an ad or info sheet (internal survey)
Key Risks: Availability of funding resources for participating industry associations determines the extent of international advertising and promotion that can be completed.			
Trade show participation	Participation in the 2011 China Horse Fair, and the Royal Winter Fair 2010, 2011 and 2012	Participation in the China Horse Fair (2013 through 2017) Participation in the Royal Agricultural Winter Fair (2013 through 2017)	For trade show participation, the number of credible leads developed from the exhibitions (internal survey)
Key Risks: Requires lead-time to coordinate international trade show exhibits. Delayed confirmation of available funding may prohibit Canada's participation in the 2013 China Horse Fair (October 2013).			
Support for SME marketing activities	Two individual SMEs participating in Equine Canada cooperative initiatives 2010	Increased annual participation by SMEs, to a target of 15 SME groups in 2018	Increased participation in SME export market development activities Increased number of activities undertaken Number of individual SMEs participating
Key Risks: A comprehensive administrative program will be required, to define eligibility criteria for applications, managing funding application process and reporting requirements for SMEs, and to identify appropriate benchmarks and performance measures for eligible activities. It is anticipated that demand for this program will be high (more applications than available funding), so an eligibility assessment process will be important.			

Canada is recognized internationally as a mature, developed equine nation where quality horses, ponies, donkeys and mules, equine genetics and expertise can be sought by international buyers.

Strategic outcomes	Baseline	Target (by 2018)	Data sources
Multi-lateral conference participation	Participation by Canadian delegates to international industry development conferences in 2006 through 2011 to support standards development for international breeding programs, and trade advocacy issues	Participation by Canadian delegates to the International Trotting Conference (biannual), the International Breeders Meeting (annual), FEI Delegates Assembly (annual), and World Breeding Federation of Sport Horses (annual)	Results of the meetings (final report or documents for draft standard that reflect Canada's desired position on a policy or regulation).
Key Risks: Likelihood of completion high. Limited risk other than availability of sufficient funding resources			

Canada is recognized internationally as a mature, developed equine nation where quality horses, ponies, donkeys and mules, equine genetics and expertise can be sought by international buyers ... (continued)

Strategic outcomes	Baseline	Target (by 2018)	Data sources
PanAmerican Showcase event	New activity, starting in 2013	Completion of all project activities including: <ul style="list-style-type: none"> • <i>Horse Experience</i> (2014) • Promotion of the <i>PanAm Showcase</i> and international symposium through the World Equestrian Games exhibits in 2014 • <i>PanAmerican Showcase</i> (2015) • <i>International Trade for the Horse Industry Symposium</i> (2015) 	Participation in the International Trade For The Horse Industry Symposium Attendance and audience for Showcase events Increased participation in horse activities in the region (through regional surveys of industry stakeholders) Increased sale of horses (domestically and internationally) resulting from the Showcase events and symposium (through surveys of stakeholder participants)
Key Risks: Planning and promotional activities must start in 2013. This initiative will require intensive staff (and volunteer) resources for the 2013 through 2015 period.			
South African Standardbred Market Development	New activity starting in 2013 (resulting from contacts developed through participation in International Trotting Conference in previous years)	Export of Canadian broodmares and stallions to South Africa (estimated 250 mares, five stallions) Export of equine semen to South Africa Participation in inbound and outbound Buyer Training activities. Annual sessions in South Africa (2014, 2015 and 2016). In-Canada training five participants per year (2015, 2016 and 2017).	Change of ownership records with Standardbred Canada Semen exports tracked through Standardbred Canada breeding records Participation in Buyer Training activities tracked through reporting by Canadian experts providing training activities
Key Risks: The major risk to achieving export targets is finding a cost-effective means of shipping horses to South Africa. Options for consideration for air shipment (via Europe) require additional import/quarantine requirements to meet EU standards, and are very expensive. Options under investigation include shipments via southern U.S. states, or contract cargo shipping.			

¹ 2010 Canadian Horse Industry Profile Study – *The State of the Industry*. Vel Evans, Strategic Equine Inc. ©2011 Equine Canada – All rights reserved.

² *Horse Racing in Canada – The Economics of Horse Racing in 2010*. Vel Evans, Strategic Equine Inc. ©2012 Equine Canada – All rights reserved.