CFA FCA

CANADIAN FEDERATION OF AGRICULTURE

FÉDÉRATION CANADIENNE DE L'AGRICULTURE

ISSUE BRIEF: Trade

AGRICULTURE & TRADE NEGOTIATIONS

The CANADIAN FEDERATION OF AGRICULTURE seeks trade agreements that:

- Provide real and meaningful market access opportunities for our export-oriented sectors, such as red meats, grains and oilseeds
- The government must make sure that supply management systems are protected by trade negotiations
- Ensure that access gained by trade agreements is not eroded by non-tariff barriers
- Fully mitigate any potential losses supply managed sectors face as a result of CETA
- Address the leaks in current import controls for supply managed products
- Revive the TPP if possible - if not, secure a trade agreement with Japan
- Avoid re-negotiation of the agricultural components of NAFTA; focus on regulatory harmonization without compromising health, safety and the environment

BACKGROUND

Canada is a trading nation and so is its agriculture sector. Canada is one of only a handful of nations in the world that produces more food than it consumes and is blessed with vast natural resources. As a result, Canada's farmers will continue to be relied upon to help feed the world's burgeoning population.

Canada is the world's fifth largest exporter, accounting for 3.5% of the total value of world agriculture and agri-food exports. The majority of Canadian farmers rely both on the domestic and oversea markets to sell their product and, in many cases, producers of certain commodities sell more than half their production overseas. As a result, access to international markets is vital for these farmers to ensure their continued viability and prosperity.

On the other hand, farmers of several other commodities opted decades ago to market their product through supply management systems and rely primarily on the Canadian market for their livelihood. For these farmers, predictable and controlled levels of imports into Canada is essential to enable planning for domestic production to fulfil the Canadian market demand.

In either case, Canadian farmers need fair, transparent and predictable trade rules to ensure their viability.

The Canadian government must approach all trade negotiations with the objective of achieving positive results for Canadian farmers. Clear and effective rules governing international trade will result in better functioning international and domestic markets.

Farmers are largely supportive of the outcome of the CETA agreement, but our support is contingent on real profitable market gains for our exporters and mitigating any losses that our supply management sectors may incur as a result of these agreements.

1. Market Access

The Canadian government was able to secure additional market access concessions for our export sectors in the CETA agreement, through a combination of tariff elimination, tariff reduction, and the establishment of new tariff-rate quotas. These concessions from the EU and TPP countries are vital for the continued growth and well-being of our export sectors.

Canada has trade deals in place with the two largest trading blocks in the world. It is necessary for government and industry stakeholders to work together in developing an export strategy that will ensure Canadian producers are able to take advantage of access to new markets.

2. Non-Tariff Barriers

Canada must also ensure that countries do not erode the market access it has negotiated in trade agreements by introducing trade barriers after negotiations have been completed. A case in point is the CETA agreement, where Canadian food processors are facing a myriad of technical and regulatory burdens in the EU that make exporting product into that market unfeasible or cost-prohibitive.

In all trade agreements it is extremely important to work towards regulatory harmonization without compromising health, food safety and environmental impacts.

3. Supply Management

The government must make sure that supply management systems are protected in trade negotiations by ensuring their import controls are not eroded in any fashion; either by increases in the volume of product allowed into Canada through tariff-rate quotas (TRQ's or decreases in over-quota tariffs.

Unfortunately in the case of CETA, Canada conceded some additional market access for supply managed products to the determent of Canadian poultry, egg and dairy farmers. As a result, the government must work with these producers to fully mitigate any potential negative impact the additional market access would have on them.

In negotiating the TPP, the previous government committed to a $4.3 billion compensation package to offset the negative impacts the trade agreement will have on farmers of supply managed products. We expect the current government to do the same.

4. Circumvention of Import Controls

Canadian supply management operates on three pillars: producer pricing, production disciplines and import controls. Without any of these three pillars, the system would fail.

Since the introduction of tariff-rate quotas (TRQ's in the mid-1990s to manage the level of imports of supply managed products, importers and manufacturers have found loopholes in the Canadian import regime, enabling them to circumvent the TRQ's and undermine the effectiveness of import controls. In some cases, importers of supply managed products have imported more through these loopholes than the totality of the TRQ. These leaks have cost Canadian farmers hundreds of millions of dollars over the years.

In most cases, simple government action - such as clearer labelling regulations or tighter content rules - would stem these leaks.

5. Renegotiation of NAFTA

In renegotiating NAFTA, Canadian farmers stress the need to build on the original agreement's success by looking for ways to increase trade volumes and to take a "do no harm" approach to the negotiations.

The Canadian Government must oppose any changes to NAFTA that would undermine in anyway the agricultural market access Canada negotiated under the Canada-U.S. Free Trade Agreement (CUSTA) or NAFTA for Canadian exports.

The Government must further oppose any changes to NAFTA that would modify the size of any tariff rate quotas and/or the level of over-quota tariffs for dairy, poultry, and egg products;

NAFTA discussions should seek:

• Increased and improved regulatory alignment.
• Improved the flow of goods at border crossings.
• Further alignment of sanitary and phytosanitary measures using a science based approach
• Elimination of non-science based technical barriers to trade.
• Revisions that reflect technological advances since implementation such as digital trade, etc

In general, because of the high level of industry integration, especially between Canada and the US, regulatory alignment is imperative.

To that end CFA recommends that NAFTA discussions include the development of a Regulatory Coherence Table/Process similar to Chapter 25 in the TPP or Chapter 4 in the Agreement on Internal Trade.

Given the level of integration in the North American agriculture industries, NAFTA would be well served by putting in place a permanent body to deal with technical barriers/irritants identified by governments or by industry stakeholders and to work towards the highest level of harmonization of standards and processes without compromising our sovereign right to health and safety.

Please refer to the CFA NAFTA submission for further detail.