

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
- 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 and TPP
- Address the leaks in current import controls for supply managed products
- Ensure a level playing field - Canada must ratify the TPP if Japan does

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 overseas 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 and TPP agreements, but our support is contingent on real

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 and TPP agreements, 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.

We have also heard reports that the Japanese may be offering incentives to increase local production of products of interest to Canada that may negate or offset some of the gains promised through the TPP for our exporters.

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 and TPP, Canada conceded some additional market access for supply managed products to the detriment 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. Ratification of TPP

For Canadian agricultural exporters, Japan represents the key market within the TPP agreement, as Canada already has free trade agreements with the U.S. and Mexico and there are limited opportunities in Australia and New Zealand due to the relatively small size of these markets and distances involved.

Japan, on the other hand, is the third largest market in the world and a net importer of almost 60% of its food requirements. If Japan ratifies the TPP, Canada must follow



DID YOU KNOW...

- Canada is the world's largest grower and exporter of flax seed, canola, pulses (peas, beans and lentils) and durum wheat
- Canadian producers farm on more than 160 million acres of land from coast to coast - occupying approximately 7% of the country's land resource



Founded in 1935, the Canadian Federation of Agriculture (CFA) is the country's largest farmers' organization. Its members include provincial general farm organizations as well as national and inter-provincial commodity organizations. Through its members, CFA represents over 200,000 Canadian farmers and farm families.