

North American Agri-Food Integration

Session II - The European Perspective

Discussant

Liam McCreery, President

Canadian Agri-Food Trade Alliance



Prosperity Through Trade



Canadian Agri-Food Trade Alliance

- Coalition of associations and companies representing producers, processors and exporters
 - \$40 billion in business annually
 - Employ over 500,000
 - Over half of farm cash receipts
 - Over 80% of agri-food exports



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Canadian Agri-Food Trade Alliance

Membership:



Agricore United



Canada Beef Export Federation



Canadian Cattlemen's Association



Canadian Meat Council



Canadian Oilseed Processors Association



Canadian Sugar Institute



Canola Council of Canada



Cargill



Food and Consumer Products Manufacturers



Grain Growers of Canada



Malting Industry Association of Canada



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Canadian Agri-Food Trade Alliance

Roots in dissatisfaction with the results of the Uruguay Round

Mission Statement:

“CAFTA seeks the creation of an open, market-oriented, subsidy and tariff - free global agricultural trading system.”



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Canadian Agri-Food Trade Alliance

Priority is global trade liberalization

- Many sectors of our industry will only see real benefits when substantial disciplines and rules are imposed globally on all players in the international market.



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Canadian Agri-Food Trade Alliance

CAFTA Supports:

- **Elimination of all export subsidies**
 - Disciplines on export credit and food aid
- **Elimination, or maximum reduction of trade distorting domestic support**
 - Product specific disciplines
 - Reduction of “de-minimis”
 - Elimination of “blue box”
 - Disciplines on “green support”



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CAFTA Supports:

- **Maximum increases in market access for all products on a global and reciprocal basis**
 - Maximum reductions of all tariffs
 - Maximum increases in minimum access (TRQ volumes) on a product specific basis
- **Rules apply to all countries**
 - No exemptions
 - S & D for truly developing countries
 - Criteria for notification



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Canadian Agri-Food Trade Alliance

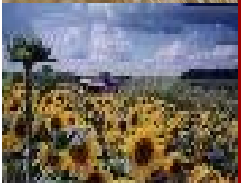
Regional agreements will not result in an open, and fair international market place

- don't address export subsidies, and trade distorting domestic support
- can't bring developing countries fully into the international market
- Complicate rules of origin

CAFTA supports regional and bilateral agreements if they don't undermine global efforts



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NAFTA and Agriculture and Food

NAFTA has been positive overall for Canadian Agriculture

- Canada's exports to the United States and Mexico have increased by 95%.
- NAFTA trade in agriculture reached \$14.8 billion in 2000
 - Soybean oil exports up 7-fold
 - Sunflower oil exports quadrupled
 - Canola oil exports up 44%
 - Beef exports to U.S. doubled, up 25 times to Mexico
 - Pasta exports tripled
 - Malt exports up 5-fold
 - Pork exports to U.S. up 87%, tripled to Mexico
 - Frozen french fries quadrupled to U.S., 10-fold to Mexico
 - Dried bean exports up 7-fold, peas and lentils up 5 fold



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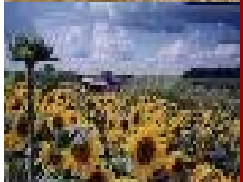
NAFTA and Agriculture and Food

A successful Free Trade Agreement, but problems still exist

- Persistent anti-dumping and CVD challenges
- Disproportionate support programs
- Import barriers
- Inconsistent regulations



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NAFTA Market Integration?

Non-Discrimination Principle not met

- U.S. Country of origin labeling
- Biosecurity Initiative
- Different agriculture agreements between NAFTA countries creates disparities
 - Mexican TRQ for U.S. dry beans is 34 times larger than for Canadian dry beans
 - Mexican TRQ for U.S. corn is over 2000 times higher than for Canadian corn
 - Canadian historical sugar access to U.S. given to Mexico



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NAFTA Market Integration?

Mutual Recognition Far From Met

- Pesticide registration and pricing
- Nutrition labeling and standards
- Vitamin and Mineral Enrichment
- Sanitary and phyto-sanitary requirements



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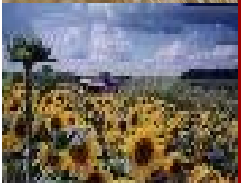
NAFTA Market Integration?

Policy integration does not exist

% Producer Subsidy Equivalent (PSE) 2002

| | Canada | U.S.A | Mexico |
|----------|---------------|--------------|---------------|
| Wheat | 18 | 30 | 34 |
| Corn | 19 | 17 | 31 |
| Oilseeds | 17 | 13 | 30 |
| Milk | 55 | 46 | 45 |
| Sugar | 0 | 55 | 56 |
| Beef | 12 | 5 | 6 |

Source OECD



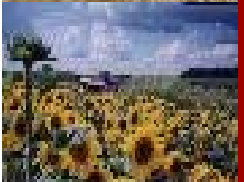
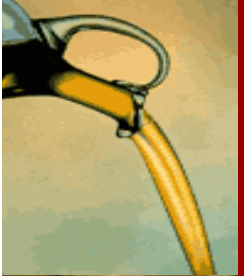
NAFTA Market Integration?

Policy Differences

US Farm Bill 2002

- Continued and expanded coupled payments
- e.g. added pulse crops
- Entrenched high direct payments
- Added country of origin labeling

Biosecurity initiative adds additional barriers

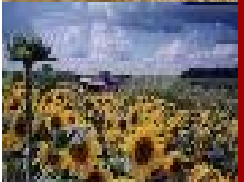
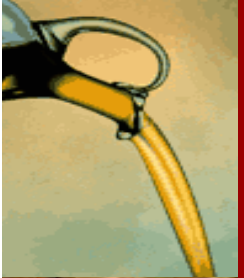


NAFTA Market Integration?

Policy Differences

Mexican Policy

- Responds to U.S. Farm bill with planned budget appropriations for agriculture
- Agricultural Armor – to provide income support



NAFTA Market Integration?

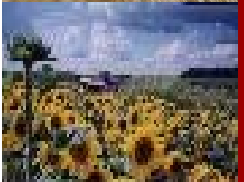
Policy Differences

Canadian Policy

Aimed at strengthening ability to use the market

- Integrated whole farm risk management
- Environmental and food safety systems

While maintaining supply management and export STE



NAFTA Market Integration?

Policy Differences Result in Disputes e.g.:

1994 US ITC investigation of Canadian wheat

1995 US NAFTA Challenge of Canadian TRQs

1995 Canada AD on U.S. Sugar

1997 Mexico AD on U.S. Corn Syrup

1998 U.S. AD and CVD Mexican and Canadian Cattle

1998 U.S. WTO challenge on Mexico AD

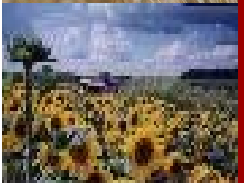
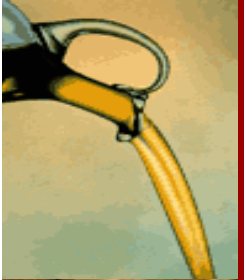
1999 Mexico AD on U.S. Beef Products

2000 US WTO challenge on Canadian dairy

2003 US WTO challenge on Canadian grain

2004 US investigates Canadian pork

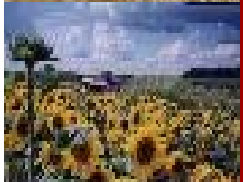
And so on.....



NAFTA Market Integration?

Can't occur without:

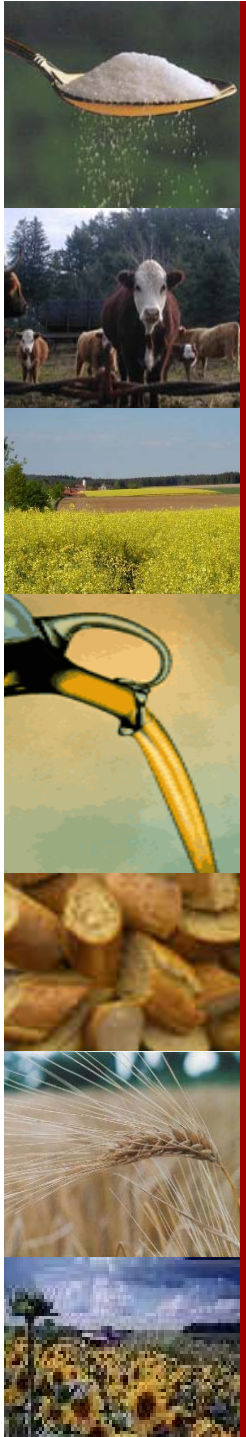
- Harmonization or at least mutual recognition of health and safety, environmental and quality standards
- Common regulations around labeling, fortification and packaging
- Mutually recognized regulations around crop protection, food additives, production processes
- Completely open trade
- Integrated agricultural policy and support systems
- Cessation of trade disputes



NAFTA Market Integration?

Won't solve all of the trade related problems for producers and processors

- Won't capture all of the opportunities
 - Growing markets in Asia and developing countries present the largest opportunities
- Won't address the impacts of global subsidization
 - e.g. EU, Japan, China market distortions



Global Free Trade is the Answer

While regional agreements like the NAFTA have benefited Canadian agriculture and food producers and processors, the real solutions will only be found in an ambitious global agreement.



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