



Brian Innes, President, Canadian Agri-Food Trade Alliance (CAFTA)

**Statement to the House of Commons Standing Committee on International Trade
For their study on Bilateral and Trilateral Trade in North America**

May 11, 2017

- As president of the Canadian Agri-Food Trade Alliance, I am pleased to be here today for your study of trade in North America; between Canada, the United States and Mexico.
- First I'd like to explain a bit about CAFTA and how agri-food exports have grown because of improved market access achieved through NAFTA. The agri-food sector has tremendous opportunity for more growth and I'd like to finish by highlighting how improvements to NAFTA could facilitate even more growth.
- CAFTA is a coalition of organizations who all seek a more open and fair international trading environment for Canada's agriculture and agri-food exports. Our members represent producers, processors and exporters from the beef, pork, meat, grains, cereals, pulses, soybeans, canola as well as the sugar and malt industries.
- Together, CAFTA members account for over 80 per cent of Canada's agriculture and agri-food exports, over \$55 billion in annual exports supporting hundreds of thousand jobs in communities across the country.
- Competitive access to international markets is critical for our sector as 90% of farmers depend on world markets for their livelihoods.
- The free and fair trade ushered in by NAFTA has been an incredible success for Canadian agriculture. And indeed for agriculture throughout North America.

- Over the 25 plus years of NAFTA and the Canada-US trade agreement, Canada's agri-food exports have grown by more than fivefold, from under \$10 billion in 1988 to \$56 billion in 2016. Together, the United States and Mexico accounted for over 31 billion dollars of our agri-food exports this past year, a bit over half of Canada's total.
- And of course, because trade is a two-way street it's been good for the US and Mexico too. Indeed, Canada's agri-food imports from the United States have grown more than six times. Our agri-food imports from Mexico have increased more than tenfold over the period NAFTA has been in place.
- NAFTA has encouraged highly coordinated supply chains spanning all three countries. We take advantage of our strengths and are more competitive. For example, we export live piglets to the United States where they are fed on locally grown corn and soybeans. Fresh meat is then imported into Canada and Mexico for processing and can then go on to be consumed in North America or around the world.
- It's clear that NAFTA has been a success.
- The first priority of the Canadian government must be to maintain this success by keeping the free and fair access that we currently have. This means having access that is free from tariffs and boarder taxes and protectionist non-tariff barrier and regulations.
- However, this is not to say that NAFTA cannot be improved. We have identified several areas where we could enable more growth in the sector.
- Here are some examples:
 - **For all agri-food products**, greater regulatory alignment for crop and animal health products would provide equal access to these products and remove barriers to trade. This includes closer cooperation for product approvals, Maximum Residues Limits, new plant breeding techniques and policies that accommodate a low level presence of biotech crops.
 - **For meat**, despite Canada and the US considering each other's systems equivalent, Canadian meat exports to the U.S. still have greater barriers to entry at the U.S. border than do U.S. meat exports to Canada. For

example, after clearing U.S. Customs, Canadian meat exports are sent for a second inspection. And, the United States still does not recognize the equivalence of Canadian grade standards for beef.

- **For sugar**, as the committee has heard, the US significantly protects its sector. Canada has a competitive advantage to use sugar as an ingredient for food processing. But US protectionism has deteriorated our export opportunities. In fact, U.S. import quotas have steered sugar-containing products manufacturing away from Canada.
- **For canola**, despite having a globally competitive industry on both sides of the border, further processed products like margarine and shortening cannot cross the border without having tariffs applied. This should be fixed.
- **For wheat** and barley, significant changes to the Canadian system over the last ten years have substantially addressed long standing U.S. concerns with cross border trade. While many concerns have been addressed, there are remnants of former systems in the Canada Grain Act. Industry supports the reintroduction of legislation to amend the Canada Grain Act so that Canadian grades can be given to wheat and barley varieties registered in Canada, no matter where they have been grown.
- In closing, we couldn't agree more with the advisory council to Finance Minister Morneau, the agri-food sector has significant potential to grow Canada's economy. The vast majority of this growth will come from exports.
- As I've described, we've shown how we can increase exports with competitive access to international markets. Maintaining the free and fair trade we have now through NAFTA, improving NAFTA where possible, and implementing free trade agreements with countries in the Asia-Pacific like Japan and China will help us achieve the 75 billion dollar export target set out in Budget 2017.
- I look forward to your questions.