



Claire Citeau, Executive Director, Canadian Agri-Food Trade Alliance  
(CAFTA) Statement to the House of Commons Standing Committee on  
Agriculture and Agri-Food

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- Thank you for inviting me to speak on behalf of CAFTA, the Canadian Agri-Food Trade Alliance on the on the Next Agricultural Policy Framework.
- CAFTA is the voice of Canadian agriculture and agri-food exporters. CAFTA is a coalition of organizations that seek a more open and fair international trading environment for agriculture and agri-food. Our members represent farmers, processors and exporters from the major trade dependent sectors including; beef, pork, grains, oilseed, pulse, soy, malt and sugar sectors. Together, we account for 90% of Canada's agriculture and agri-food exports, about \$54 billion dollars in exports and an economic activity that supports 940,000 jobs across the country.
- What I would like to imprint on the committee today is the importance of **competitive access** to global markets for Canada's export-oriented agriculture and agri-food sector.

**Why agriculture and agrifood exports matter to the Canadian Economy**

- Canadian agricultural and agri-food exports make a significant contribution to the Canadian economy.
  - In terms of GDP: Canadian agriculture and agri-food exporters generate a direct and indirect GDP of 30 billion dollars for agriculture and 65.5 billion dollars for food manufacturing;
  - In terms of employment: Canadian agriculture and agrifood exporters represent 352,000 direct and indirect jobs in agriculture, along with 588,000 direct and indirect jobs in food manufacturing.
- The specific contribution of agricultural and agrifood exports in Canada is similar to the direct contribution of entire sectors such as Universities, Financial investments services, Art-Entertainment-Recreation, and even much greater than the contribution of the Aerospace manufacturing sector.

**Inherently Dependent on Trade**

- The Canadian agri-food sector is by and large export-focused, over half of everything we produce is exported: that is over half of our beef, 65% of our soybean, 70% of our pork, 75% of our wheat, 90% of our canola, 95% of our pulses and 40 per cent of our processed food products.

- International trade is crucial for Canadian agriculture and agrifood as 58% of its total value is generated through exports.
  - Over the last 10 years in Canada, exports have grown by 103%, from \$30 billion to over \$61 billion – boosting farm cash receipts by 61% over the same 2005-2015 period.
- To put this in perspective,
  - 90% of all Canadian farms rely on exports, 80% of commercially-oriented farms.
  - 1 in 2 jobs in crop production depend on exports, and 1 in 4 jobs in food manufacturing
- For our trade dependent sector, competitive access to global markets is not a choice. It is a requirement.

### **Next Agricultural Policy Framework**

CAFTA welcomes the six Overarching Objectives and the six Priority Areas of the Next Agricultural Policy Framework, but believes that success will require commitments that extend beyond the mandates of Canada's Ministers of Agriculture and Agri-Food.

Given that CAFTA works solely on trade issues, I will concentrate my remarks on the Markets and Trade Priority area of the Policy Framework.

### **Markets and Trade**

- Canadian agriculture produces what the world needs and is well positioned to continue. But Canadian agriculture cannot be globally competitive without commercially viable access to export markets. The negotiation of access to foreign markets is an exclusive mandate of the federal government, and cannot be undertaken by industry.
- We can't thrive if tariffs and non-tariff barriers prevent us from being competitive with competitors who have preferential access because their governments have been better at reaching trade agreements, like Australia that already has agreements with Japan and China.
- Canada needs to do more to eliminate tariff and non-tariff barriers for agriculture and agrifood through free trade agreements.
  - Agricultural tariffs on average worldwide are higher than tariffs on manufactured goods.
  - Agriculture accounts for a disproportionately large share of trade disputes, increasingly in respect of SPS and TBT complaints.

While the Next Agricultural Policy Framework emphasizes on increased global competitiveness and trade, it is critical that resources available to the Departments and Agencies in charge of trade negotiation and resolution of market access issues be increased to levels that would permit these organizations to fulfill their mandates adequately.

- I would like to share with you two of the most significant developments in global agriculture trade in recent years:
  - First, we have entered an era of competitive trade liberalization by which countries compete for preferential access through bilateral and regional free trade agreements. This includes countries that are not traditionally known to be free-traders like Japan.
    - In this environment, the growth and sustainability of our sector depends on the

timely negotiation and implementation of trade access to the markets that our competitors are after.

- Canadian agriculture has lived through this before with South Korea when a billion dollar market was cut in half virtually overnight as our competitors, namely the US, the European Union and Australia, had their tariffs eliminated or phased out and we didn't. We cannot afford to see this happen again.
- We have before us 2 of these trade agreements that present huge potential for our sectors:
  - **The CETA:** we strongly encourage the completion of the respective legal and political processes related to the CETA while completing technical discussions so that the benefits can be realized in the form of commercially viable access for all Canadian exporters;
  - **The TPP:** as 8 out of the 12 signatories have put the agreement in front of their parliaments, 2 passed it and Japan passed it in their lower house, Canada needs to follow suit, ratify quickly, send strong signals to key trading partners such as Japan.
- Second, the proliferation of Non-Tariff barriers (NTBs) in agriculture over the past decades has significantly increased the number of market access barriers our exporters face as they diversify their export profile.
  - Agriculture remains the most protected sector in the world. Barriers take the form for import quotas, export subsidies, countervailing duties, and technical barriers to trade, sanitary and phyto-sanitary measures, special licenses, non-science based decision making for the safety of food products, bureaucratic delays, export restrictions etc.
  - There is evidence that TBT/SPS measures have a negative effect on export market diversification and that the contribution of non-tariff measures to overall trade restrictiveness is significant, and in some estimates NTMs are far more trade restrictive than tariffs. For farmers, producers, exporters of all sizes, this has a direct commercial impact on export revenues, risk management and predictability of operations.
  - Within AAFC, the Market Access Secretariat has a priority list of over 300 foreign market access barriers. Given the characteristics of the prioritization mechanism, it seems unlikely that many issues will ever be addressed. Yet they are essential for farmers, producers' businesses.
- Our recommendations for the Policy Framework to contribute to a globally competitive agriculture and agri-food sector consist of the following:
  1. While the Next Agricultural Policy Framework emphasizes increased global competitiveness and trade, it is critical that resources available to the Departments and Agencies in charge of trade negotiation and market access be increased to levels that would permit these organizations to fulfill their mandates adequately.
  2. The Policy Framework should allocate proper resources to the functions in charge of negotiating free trade agreements, specifically the team of negotiators working on trade agreements (**TPP, CETA, WTO, CEJPA, China, ASEAN, India**) and the next generation of future agreements, both within Agriculture and Agri-Food Canada and Global Affairs Canada, the only department that has the mandate for negotiating international deals.

3. The Policy Framework should allocate proper resources to the functions in charge of implementing free trade agreements and maintaining and restoring market access. Typically once trade agreements are implemented, multiple non-tariff barriers arise. It is essential that adequate funding be allocated to the Market Access Secretariat (MAS) so it can continue its critical work of minimizing technical barriers to trade and ensuring real access for exporters. It is must be noted that MAS depends in part on the Canadian Food Inspection Agency (CFIA) to deliver the technical support so proper CFIA resources would be a component of that.
4. The Policy Framework should allocate proper resources to the network of Canadian representatives abroad, notably Embassies and agriculture trade commissioners. Canada's ability to build a competitive industry depends in large part on how well the country opens doors abroad, builds and leverages relationships with relevant government and industry influencers and decision makers.
5. The Policy Framework should continue to support relevant Ministers and senior level officials in their activities to build and cultivate relationships at a high level in foreign markets. This is critical to support trade and market development efforts for Canadian exporters, particularly in Asian countries.

## **Conclusion**

- In closing, our sector encourages a Policy Framework that expands our ability to competitively market our products to the world.
- It's not just farmers and food processors who benefit. Ultimately, communities in urban and rural areas do better when we have better access to foreign markets.