

October 7

October 10th, 2014

*Statement by Claire Citeau, Executive Director, Canadian Agri-Food Trade Alliance (CAFTA)
to the House of Commons Standing Committee on International Trade regarding the Canada-
Korea free trade agreement*

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- Good morning. My name is Claire Citeau. I am the Executive Director of CAFTA, the Canadian Agri-Food Trade Alliance. I am joined by two directors of CAFTA. Martin Rice, Executive Director of the Canadian Pork Council and Phil de Kemp, President of the Malting Industry Association of Canada.
- Thank you for inviting me today to speak on behalf of CAFTA to committee members on the Canada-Korea free trade agreement.
- CAFTA is a coalition of national and regional organizations that support a more open and fair international trading environment for agriculture and agri-food. CAFTA's members include farmers, producers, processors and exporters from the major trade dependent sectors including the beef, pork, grains, oilseed, sugar and malt sectors. Together, CAFTA members account for 80 per cent of Canada's agriculture and agri-food exports, realize \$50 billion dollars in exports annually and directly employ half a million Canadians.

- **The Canada-Korea free trade agreement will be extremely beneficial for Canada's agriculture and agri-food exporters and will help the sector regain competitive access to South Korea.**
- **It is essential that the Canada-Korea free trade agreement be ratified and implemented by January 1, 2015.**
- South Korea is a lucrative market of 50 million consumers and a key hub of Asian supply Chains. South Korea imports over 70 per cent of its food and until a few years ago, Canada was a preferred supplier for many agri-food products.
- In 2011, South Korea was Canada's fifth largest export market, with Canada exporting over \$1 billion dollars in agricultural and food products to that country.
- Since then, Canada's agriculture and agri-food exports to Korea have plunged by more than 50 per cent.
- This massive loss in exports is directly attributed to free trade agreements concluded between South Korea and Canada's key competitors, namely the European Union in 2011 and the United States in 2012, and most recently Australia.
- Without a free trade agreement, Canada's agri-food exports face tariffs as high as 50 per cent, and in some cases 400 per cent, while our main competitors have had their tariffs eliminated or phased out.
- Losing the South Korean market is a major blow to Canada's agri-food industries, including beef, pork, canola and grains. In fact, before the Korus:
 - Canadian pork exports to South Korea were \$233 million dollars a year. They have now fallen to under \$80 million dollars.
 - Grain exports were \$479 million dollars a year. Today they are less than \$100 million dollars.
 - Beef exports were \$96 million dollars a year. Today they are \$10 million dollars.
- **Through the elimination of tariffs on 86.8 percent of agricultural tariff lines, the Canada-Korea FTA will provide the level playing field that simply does not exist today.**

- I would like to share with you a sample of CAFTA members' projections of the opportunities that are seen in an agreement keeping us on par with agreements negotiated by the US and Australia:
- The Canola Council of Canada estimates that exports for canola seed and canola oil, respectively of \$60 and \$90 million dollars currently, could double.
- The Canadian Cattlemen's Association expects to maintain meaningful trade with Korea during a transition period and expects to return to the annual \$50 million dollars range once tariffs are fully eliminated.
- The Grain Growers of Canada has identified duty-free wheat sales on top of the grain utilized in feed for livestock to meet the increased demand for Canadian meat.
- The Malting Industry Association of Canada points out that South Korea is the number 4 market for malting barley, yet current tariffs for malting barley are 30% within quota, 513% over quota. A new trade deal with Korea will mean significant new marketing opportunities for the malt industry and for farmers.
- The Barley Council of Canada states that anticipated gains for livestock will mean a boost for feed barley given that over 80 percent of barley harvested goes towards feed production for livestock.
- The Canadian Meat Council, representing meat processors, points out that Korea is one the most important meat importers in the world with import demand exceeding \$2 billion for beef and pork products annually. Once Canada's meat processors and exporters regain competitive access, it is projected that annual beef and pork exports will rebound and surpass their previous peaks.
- The sugar industry, through the Canadian Sugar Institute, expects the Canada-Korea FTA to provide significant opportunities for most sugar-containing products through tariff phase outs over 3 to 5 years.
- The Canadian Pork Council, representing Canada's hog producers, hopes, that this deal could help fully restore, in a few short years, annual exports from Canada to South Korea of 400 million dollars.
- Taken together, we believe the Canada-Korea Free Trade Agreement, if fully implemented by January 1, 2015, could result in over \$800 million in incremental Canadian agri-food exports.

- It is really critical to have the level playing field as quickly as possible.
- On January 1, 2015 the next round of tariff cuts in South Korea's agreement with the U.S. will be phased in, putting further competitive pressure on Canada's agri-food interests. Canadian exporters are already suffering from the impact of Korea's deals with the U.S. and Europe. There is a very real probability that the Korea-Australia deal will come into force on January 1st, 2015.
- While we have already lost ground in South Korea, we are running out of time. Every month that implementation of the Canada-Korea Free Trade Agreement is delayed, the greater the negative impact will be for Canadian farmers, producers and exporters.

In closing:

- The Canadian agri-food industry depends on exports.
- Canadian agri-food exporters need a level-playing field in order to access the Korean market.
- **CAFTA members hope and expect quick ratification of implementing legislation of the Canada-Korea Free Trade Agreement in both countries.**

Thank you.