Getting Grains To Market - Trade

Presentation to

Western Barley Growers Association

and

Western Canadian Wheat Growers Association

February 17, 2005

CAFTA
Prosperity Through Trade

Presentation to WBGA/WCWGA

1. Introduction to CAFTA
2. Importance of Trade to Canada and Western Canada
3. Costs of Protectionism – Benefits of Liberalization
4. Building on the July Framework – Getting Involved

CAFTA
Prosperity Through Trade

---

1. Introduction to CAFTA

Coalition of associations and companies representing:

- Producers – *grain, oilseed, special crop, cattle*
- Processors – *crushers, packers, refiners, maltsters, consumer level*
- Marketers – *grain, oilseeds, special crops, meat, value added*
- Exporters – *bulk and value added products*
- Input suppliers – *seed, feed, fertilizer, crop protection*

CAFTA's members account for over 80% of agriculture exports; about 80% of farm population and more than 60% of net cash receipts

CAFTA
Prosperity Through Trade

---

1. Introduction to CAFTA

CAFTA's Members

- 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 Limited
- Food and Consumer Products Canada
- Grain Growers of Canada
- Malting Industry Association of Canada
- Pioneer Hi-Bred Limited

CAFTA
Prosperity Through Trade

---

1. Introduction to CAFTA

CAFTA's long term goal is the establishment of global tariff and subsidy-free trade in agriculture and food products

For this round:

1. End date for export subsidies
2. Substantial reduction in trade distorting support
3. Substantial and meaningful increases in market access

CAFTA
Prosperity Through Trade

---

2. The Importance of Trade – to Canada

- Exports account for almost 40% of Canada's GDP (4X US)
- 1 in 3 jobs depends on exports
- 7% of total exports are of agriculture and food - well over 50% of farm cash receipts
  - 75% of wheat and durum production is exported
  - 98% of canary seed production is exported
  - 69% of cattle and beef production is normally exported
  - 68% of dry pea production
  - 60% of canola production
  - 50% of hogs and pork production

CAFTA
Prosperity Through Trade

2. The Importance of Agricultural Trade – to Canada

- **Without wheat exports Canada would need:**
  - 21,000 fewer wheat producers
  - 19 million fewer acres
  - Equivalent of 4 fewer milling plants – *loss of 200 jobs*
- **Without malt exports:**
  - Canada would need 700,000 fewer tonnes of barley
  - Canada would need equivalent of 6 fewer malting plants – *a loss of 200 jobs*
  - A loss of over $140 million to producers
- **Without canola exports Canada would need:**
  - 30,000 fewer canola producers
  - 3 million fewer acres
  - Equivalent of 6 fewer crushing plants

CAFTA
Prosperity Through Trade

2. The Importance of Agricultural Trade – to Western Canada

- Exports bring $13.6 billion annually to Western Canada
  - B.C. $2.1 billion
  - Alberta $5.2 billion
  - Saskatchewan $4 billion
  - Manitoba $2.5 billion
- Without exports of wheat and barley, over 20,000 producers in Alberta, Saskatchewan and Manitoba would not be required

CAFTA
Prosperity Through Trade

3. Costs of Protectionism - Internationally

- Despite some progress in the Uruguay Round, trade is far from free:
  - The average world tariff on agriculture and food is 60%
  - Japan binds wheat tariffs at $US 440 per tonne and barley at $210
  - Norway has a bound tariff of 350% on wheat and on canary seed of 318%.
  - Japan imports canola seed without a tariff but applies a 20% tariff on oil.
- Tariffs and TRQs cost the world $US 29 billion annually

CAFTA
Prosperity Through Trade

3. Costs of Protectionism - Internationally

- 25 WTO members notify export subsidies - commitments totaling over $US 12 billion.

Average export subsidy ($US per tonne)
WTO Members 2000

Wheat	$58.00	Beef	$1,499.00
Coarse grains	$61.00	Pork	$555.00
Oilseeds	$50.00		

- Export subsidies are applied to 12.1% of world wheat and flour exports, and 17% of world coarse grain exports
- Export subsidies cost the world $US 7.3 billion annually

CAFTA
Prosperity Through Trade

3. Costs of Protectionism - Internationally

- OECD countries spend over $US 300 billion to support agriculture

Support to producers
(% of VOP)

Country	Wheat	Corn	Oilseeds	Beef	Pork
Japan	86%	0	46%	32%	54%
E.U.	46%	28%	31%	79%	26%
U.S.A.	30%	17%	13%	5%	5%
Canada	18%	9%	17%	12%	7%

- Trade distorting domestic support costs the world $US 11.2 billion annually

CAFTA
Prosperity Through Trade

3. Costs of Protectionism – To Canada

- Export and trade distorting subsidies cost grain and oilseed producers $1.3 billion annually
- Export subsidies pushed Canadian flour industry out of the international market
- Domestic and export subsidies reduced Canada's exports of processed alfalfa by 45%
- EU Trade distorting support and export subsidies costs beef producers in Canada over $11 million annually

CAFTA
Prosperity Through Trade

3. Costs of Protectionism – To Canada

- Differential tariffs in India and Korea cost Canadian canola industry $270 million annually
- Tariff escalation in Japan costs Canadian oilseed producers and crushers $250 million annually
- Japanese and Korean beef tariffs cost producers $210 million annually
- US TRQ administration costs Canadian sugar industry $120 million annually

CAFTA
Prosperity Through Trade

3. Costs of Protectionism and Benefits of Liberalization – To Western Canada

- Export and Trade Distorting Subsidies cost $25.00 per tonne annually
- Elimination of all Tariffs would return:
  - $16.00 per tonne for wheat
  - $19.00 per tonne for barley
  - $71.00 per tonne for canola
  - $33.00 per tonne for soybeans
  - $8.80 per tonne for corn

CAFTA
Prosperity Through Trade

4. Building on the Framework – Export Competition

CAFTA Goals

1. Early elimination (3 years)– 1st year down-payment

Why?

- Export subsidies cause $US 7.8 billion annually in market distortions
  - EU's allowable export subsidy volume exceeds its total 2002 exports on wheat, beef and coarse grains
  - South Africa could subsidize every tonne of wheat, pork, beef, barley, oats, and corn it exported in 2002
  - US can still spend almost $400 million annually on export subsidies for wheat and over $46 million annually on coarse grains

CAFTA
Prosperity Through Trade

4. Building on the Framework – Export Competition

2. Commercial terms and disciplines on export credit

Why?

- Subsidy component of U.S. export credit on wheat is $US 1.30 per tonne, EU is $0.30 per tonne. Most U.S. credit is on grain and grain products

CAFTA
Prosperity Through Trade

4. Building on the Framework – Export Competition

3. Criteria and Disciplines on Notified Food Aid

Why?

- Food aid takes distorting forms – eg. low interest loans, credit guarantees, concessional prices

4. Elimination of Differential Export Taxes

Why?

- DETs keep domestic raw product prices low serving as export subsidies on processed products

5. Disciplines on Exporting and Importing State Trading Enterprises

Why?

- To prevent distribution of government funds, ensure transparent operation and increased competition

4. Building on the Framework – Domestic Support

CAFTA Goals

1. Very deep cuts to all trade distorting support

Why?

- Huge discrepancies in domestic support
  - to bring EU bound AMS to US actual AMS requires a cut of 79%
  - To bring US bound to Canada's actual requires a cut of 96%

2. Reductions with a view to elimination of de-minimis

Why?

- US bound AMS is $US 19.1 billion, allowable de-minimis is $US 18.6 billion

CAFTA
Prosperity Through Trade

4. Building on the Framework – Domestic Support

3. Product specific caps

Why?

- Product specific disciplines curb skewing of support to specific products
  - U.S. provides 39% of total support to grains and oilseeds
  - EU provides 28% of total support to beef

CAFTA
Prosperity Through Trade

4. Building on the Framework – Market Access

CAFTA Goals

1. Aggressive tariff reduction formula

Why?

- Tariffs and TRQs distort international market by $US 29 billion
  - Average agriculture tariff is 60% - average industrial tariff is 4%
  - Very high tariffs exist – some over 500%.
  - Cuts will be from bound (allowed) levels – very deep cuts required (as high as 60%) just to get to the applied level
- Combined with coefficient, addresses tariff escalation

CAFTA
Prosperity Through Trade

4. Building on the Framework – Market Access

2. Limited number of products designated "sensitive"

   Why?

   - The world's most "sensitive" products are chilled and frozen meat; grain products; dairy; fruits and vegetables and oilseed products

3. Mandatory TRQ expansion in addition to cuts in tariffs

   Why?

   - Canadian exports face over 1,300 TRQs
   - Current TRQs on products of interest to Canada are, on average, close to filled at their current volumes
   - Over quota tariffs prevent access, if they aren't substantially reduced, opportunity will only be captured with expanded TRQ volumes

CAFTA
Prosperity Through Trade

4. Building on the Framework – Market Access

4. Enforceable and transparent rules for TRQ administration

   Why?

   - Better administration and enforcement will help to ensure TRQ fill

5. Eliminate in-quota duties for real access

CAFTA
Prosperity Through Trade

CAFTA's 2020 Vision

- CAFTA's members are setting goals for the next 20 years
  - Where does the western Canadian grain industry want to be?
- Doha Agreement will likely be in place for 20 years
  - Should trade rules be designed for today's domestic policy?
- CAFTA says Canada as one of the most important exporters in the world, must be an aggressive and innovative leader

CAFTA
Prosperity Through Trade

Getting Grains To Market - Trade

Presentation to

Western Barley Growers Association

and

Western Canadian Wheat Growers Association

February 17, 2005

CAFTA
Prosperity Through Trade