Solutions for Profitable Agriculture

A Presentation to the Annual Convention of The Western Canadian Wheat Growers
by
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Introducing CAFTA

Members

- Agricore United
- Alberta Beef Producers
- Alberta Pork
- Canada Beef Export Federation
- Canadian Canola Growers Association
- Canadian Cattlemen's Association
- Canadian Meat Council
- Canadian Oilseed Processors Association
- Canadian Sugar Institute
- Canola Council of Canada
- Cargill Limited
- Food and Consumer Products of Canada
- Grain Growers of Canada
- Malting Industry Association of Canada
- Sask Pork
- Sunterra Group

Introducing CAFTA

CAFTA's Members

- Account for about 85% of Canada's agricultural exports and 60% of farm cash receipts
- Represent all of Canada's major export commodities
- Conduct over $50 billion in business annually and employ more than 500,000 Canadians

Over 90% of Canada's farm families accounting for over 80% of cash receipts rely on the international market

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Introducing CAFTA

CAFTA's mission is to advocate the liberalization of global agriculture and agri-food markets.

1. CAFTA always advocates comprehensive liberalized trade in agriculture and agri-food
2. CAFTA earns its credibility through trust and the provision of factual information
3. CAFTA believes that trade liberalization contributes to global wealth and prosperity
4. CAFTA is always non-partisan
5. New members who support CAFTA's mission and principles are accepted by consensus of the board of directors

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International Trade and Canadian Wheat

Canada

- exports 75% of the wheat it produces
- holds 15% of the world wheat market and 50% of the world durum market
- exported wheat and durum to 64 countries in 2005

Canadian Wheat Needs a Better Trading Environment

- Wheat and products face tariffs in virtually every international market
  - Average tariff on wheat and durum is over 75% - peaks at over 300%
  - Average tariff on flour is 73% - peaks at over 400%
- The cost of tariffs and TRQs on wheat is about $47 per tonne

Canadian Wheat Needs a Better Trading Environment

- Trade distorting support (AMS) to wheat in the United States is 15% of the value of production
- AMS in the EU is 21.5% of the value of production
- Canada has only exceeded 2% once since 1995

Canadian Wheat Needs a Better Trading Environment

- 12.1% of world wheat and flour exports go with export subsidies
  - The EU can subsidize exports of over 11 million tonnes of wheat
  - The US can subsidize about 16 million tonnes of wheat
  - US export credits on grain = $1.30 per tonne

CAFTA's Goals for Doha

Substantial, real and meaningful increases in market access - through tariff cuts, quota expansion and improved administration

Substantial, harmonizing cuts to trade distorting domestic support - that bite into actual support

Elimination of all forms of export subsidies

What Happened in Hong Kong? – Export Competition

- Eliminate by 2013:
  - Export subsidies
  - Export credits with repayment over 180 days
  - Government financing and underwriting of losses for export state trading enterprises
- Greater discipline on food aid, and on export credits within 180 days
- Disciplines on future "use" of STE monopoly powers

What Happened in Hong Kong? – Domestic Support

- Non Trade Distorting Support – **Green**
- Trade Distorting Support – **Amber**
- Spending less than 5% of VOP – **De-Minimis**
- Trade Distorting Transition – **Blue** *(no spending limit)*

What Happened in Hong Kong? – Domestic Support

- Confirmed tiered reductions (three tiers) in amber support (AMS)
  - Deeper cuts for higher subsidizers
  - EU; then U.S. and Japan; then all others
  - Confirmed tiered reductions in total trade distorting support (AMS + De-minimis + Blue)
  - EU takes biggest cut; then U.S. and Japan then all others
- Overall cut must still be made even if the sum of reductions is less

What Happened in Hong Kong? – Market Access

- Confirmed 4 tiers for reducing tariffs
- Acknowledged the need to agree on treatment of sensitive products
- Allows developing countries to “self-select” special products
- Provides for a special safeguard for developing countries

Where to from Here?

- The focus must be market access
  - Thresholds for the tariff formula
  - Depth of cut within the bands
  - Selection and treatment of sensitive products
- A number of proposals on the table

Market Access Proposals

Country/Product	Current Bound Tariff	U.S. Proposal	G20 Proposal	EU Proposal
Japan Wheat	OQ 247.8%	24.8%	61.9%	99%
China Wheat	65%	9.0%	22.8%	32.5%
Korea Wheat	9% (applied 3%)	3.6%	5%	5% - 7.2%
EU Durum	OQ 81.9%	8.2%	20.5%	41%
Morocco Durum	OQ 144%	14.4%	36%	57.6%
Venezuela Durum	OQ 116%	11.6%	29%	46.4%
Korea Flour	4.2%	1.8%	2.3%	2.3% - 3.4%

U.S. Domestic Support Proposal

Country	Current Allowed Total ($US)	After U.S. Proposal ($US)	Current Allowed AMS ($US)	After U.S. Proposal ($US)
European Union	136.4 billion	34.1billion	80.6 billion *Actual 43.7 billion*	13.8 billion
United States	48.8 billion	22.5 billion	19.1 billion *Actual ~ 16 billion*	7.6 billion
Japan	43.08 billion	9.9 billion	34.5 billion *Actual 5.8 billion*	4.14 billion
Canada	7.71 billion	4.34 billion	3.66 billion *Actual 721 million (2000)*	2.31 billion

As a % of Value of production

EU	**11.7%**
U.S.	**11.3%**
Japan	**12.3%**
Canada	**15.9%**

Product Specific Caps – impact on US. Support

- Wheat varied from $US 4 million to $US 973 million
- Corn varied from $US 28 million to $US 2.8 billion
- Soybeans varied from $US 13 million to $US 3.6 billion
- Canola varied from $US 0 to $US 82 million

	2001	US proposal	G10 proposal	Others
Wheat	189 M	670 M	352 M	397.4 M
Corn	1.3 B	2.2B	1.1 B	1.2 B
Soybeans	3.6 B	3.4 B	1.1B	1.3 B
Canola	22.9 M	48 M	11.8 M	21.5 M

- Nobody will get everything they want in this deal but we have a lot to gain
- Failure is not an option for Canada’s international market dependent sectors
- There is no status quo

Between 1995 and 2000

- Brazil's international market share increased from 2.8% to 3.9%
- U.S. market share dropped from 12.9% to 10.2%

At the Same Time

- U.S. total domestic support spending increased by 13%.
- EU spending increased by almost 41%.

There is No Status Quo

- The U.S. can increase amber support by 1/3
- The EU can double amber support
- The EU can spend $US 2.7 billion to subsidize export of 11 million tonnes of wheat.
- The US can spend $US 409 million to subsidize 16 million tonnes of wheat

There is No Status Quo

- Brazil can increase its tariff from 10% to 55%
- Colombia can increase its in-quota tariff on durum from 15% to 124%
- Dominica's tariff on wheat and durum can go from 0% to 100%
- El Salvador's tariff on pasta can go from 10% to 40%

- **Your Future is Global**
- **You have a stake in these negotiations**
- **You Need to Be Involved**