CANADA-UNITED STATES AGRICULTURE POLICY

Presented by:
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Canadian and US agriculture policies share similar goals…

… but there are differences in approach

These differences result in Canadian concerns with US Farm Bill and certain other food policies…

… but do not overshadow the cooperation in and mutual benefits of our bilateral relationship
Why does Canada care about US farm policy?

- U.S. sets trends: Canadian farmers want same levels/types of support that their U.S. neighbours enjoy
- Competition: domestic, U.S. and international markets
- WTO negotiations
Why should the U.S. care about Canadian farm policy?

◆ #1 trading partners

◆ Integrated food production sector

◆ Farmers/ranchers deal with similar challenges – can learn from each other’s best practices

◆ Competition
The U.S. is the 2nd largest agri-food exporter in the world, Canada is the 4th largest.

27% of US agriculture goods are exported.

Over 50% of Canadian agriculture goods are exported.

95% of the world’s consumers live outside our borders.
Trade Liberalization Benefits
Exporters in the U.S. and Canada

Source: USDA/FAS
Where do U.S. Agri-food Exports go?
Top 5 markets for 2006

- Per Canadian: $362
- Per Mexican: $112
- Per Japanese: $66
- Per European: $16
- Per Chinese: $5

Source: USDA FAS
How Canadian Agricultural Policy is Developed

- Shared jurisdiction with provinces
- Policies developed by government(s)
- Consultation with industry and stakeholders
- Process is usually via Cabinet and Treasury Board, but any changes to Acts go through Parliament
External influences

- International trade obligations
- WTO/FTA negotiations
- Other countries’ policies
- Market conditions
Agriculture Policy Framework

◆ APF is framework with most elements expiring at end of March 2008

◆ Five components:
  • Business risk management
  • Food safety & quality
  • Environment
  • Science & innovation
  • Renewal

◆ Plus a market development and trade aspect
Canadian Approach to Agricultural BRM Programs has evolved

Safety Net Program 1980s:
- Commodity focus
- Price based
- Provincial/regional
- Trade distorting

Agriculture Policy Framework (APF - 2003):
- Whole farm
- Income/margin based
- National Framework
- Trade Neutral (i.e., “green”)

Policy transition
Business Risk Management

Two key programs:

◆ Canadian Agricultural Income Stabilization (CAIS) Program
  ◆ “whole-farm” margin based

◆ Production Insurance
CAIS: Strengths

- Production neutral (allows market signals to prevail)
- Whole-farm
- Demand driven
- Payments based on need - not an entitlement
- Margin based – takes into account both sides of the financial equation
CAIS: Challenges

◆ In the long term, does not address declining margins

◆ Complex to administer and understand

◆ Lacks predictability

◆ Timeliness – fiscal year calculation
Growing Forward: Toward a New Agriculture Policy Framework

- Focusing on building a competitive and innovative sector
- Being proactive in managing risks
- Ensuring the sector contributes to society's priorities
Proposed New Business Risk Management Strategies

- AgrilInvest
- AgriStability
- AgriRecovery
- AgrilInsurance
Context for developing new programs in Canada

◆ Farm income continues to decline
◆ The cost of inputs have gone up
◆ Overall though, off-farm income has gone up
Producer interests similar in Canada and US

- Canadian stakeholders have indicated that they want to see
  - A move to an outcome-based system
  - Greater focus on innovation
  - Programs to build on successes of food safety and environment
  - Flexible program design and delivery
  - Reduction of administrative burden and simplification of programs
  - Regulatory issues addressed to enable the sector to be innovative and competitive
Common themes

◆ **Primary producers**
  - Profitability key concern
  - Should be paid for contributions to environment and food safety
  - Need to attract young farmers into the sector

◆ **Processors:**
  - Need to reduce government impediments to innovation and growth
  - Regulatory issues
  - Research and development priorities

◆ **Food security**
Canadian concerns with 2007 Farm Bill

- Most proposals to date maintain the current structure of 2002 Farm Bill
- US commodity programs that trigger large subsidy payments
- Programs that mask market signals, distort production decisions and reduce prices
- Country of Origin Labelling
- Sugar provisions
Beyond Farm Policy

◆ Food Safety
  • Increased inspection rates
  • User fees
  • Ports of entry

◆ Seasonal Agricultural Workers Program

◆ Healthcare
Canada’s trade policy objectives

◆ Canada seeking a fairer international trade environment for producers and processors
  ◆ elimination of all forms of export subsidies
  ◆ substantial reduction of trade distorting domestic support
  ◆ real and substantial improvements in market access
Multi-track approach

- WTO agriculture negotiations
  - WTO is key forum for achieving fairer rules and enhanced trade liberalization
  - Canada wants an ambitious outcome
- Regional and bilateral trade negotiations
  - Closely monitoring FTA initiatives by others, incl. USA
- Advocacy initiatives
- Technical trade discussions and standard-setting
- Litigation
WTO Challenge of US Agricultural Subsidies

Background:

◆ Longstanding concerns with U.S. subsidy programs and their impacts on Canadian farmers

◆ Consultations held on February 7

◆ Panel requested June 7, again on November 8
WTO Challenge of US Agricultural Subsidies

Grounds

◆ Total US trade-distorting support (amber box) exceeds the US WTO commitment levels.

◆ Covers wide range of products (including corn, wheat, soybeans, dairy, sugar, etc.) and dozens of U.S. subsidy programs (including DPs, CCPs, LDPs, etc.)
WTO Panel – why now?

- Reflects importance Canada attaches to addressing harmful effects of US agricultural subsidies
- Underlines need to meet WTO commitments as US Farm Bill is drafted this year
- Does not indicate that Canada has given up on WTO negotiations, which remains preferred approach to levelling international playing field for our agricultural producers
Conclusions

◆ Trade is important for Canadian agricultural sector, particularly with US

◆ Canadian agricultural policy is evolving to meet new challenges

◆ Canada has concerns about lack of change in 2007 Farm Bill support programs

◆ But overall, benefits of our bilateral relationship far outweigh any challenges we face
GOT QUESTIONS?