Toward a More Integrated North American Agri-Food Market

Presented by

Brian Paddock
Agriculture and Agri-Food Canada
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Significant steps taken in 1980’s to create a common North American Market:

- CUSTA 1989
- NAFTA 1994
- Most tariffs eliminated
- Some exceptions in all countries
  - Canada: tariffs on dairy and poultry
  - U.S.: tariffs on dairy, sugar and peanuts
- Countries maintained their own trade law
## Total Agri-food Trade as Percentage of GDP (%)

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<tbody>
<tr>
<td><strong>Canada</strong></td>
<td></td>
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<tr>
<td><strong>Ag. Exports</strong></td>
<td>16.97</td>
<td>19.45</td>
<td>21.88</td>
<td>21.89</td>
<td>21.08</td>
<td>22.71</td>
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<tr>
<td><strong>Ag. Imports</strong></td>
<td>12.44</td>
<td>13.04</td>
<td>14.7</td>
<td>16.1</td>
<td>16.25</td>
<td>17.14</td>
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<td><strong>Total Ag. Trade</strong></td>
<td>29.41</td>
<td>32.49</td>
<td>36.58</td>
<td>37.99</td>
<td>37.33</td>
<td>39.85</td>
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<td><strong>Net Ag. Trade</strong></td>
<td>4.53</td>
<td>6.41</td>
<td>7.18</td>
<td>5.79</td>
<td>4.83</td>
<td>5.57</td>
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<td><strong>Percentage (%)</strong></td>
<td>99</td>
<td>113</td>
<td>130</td>
<td>129</td>
<td>122</td>
<td>130</td>
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**Note:** Data are in local currency Canadian $. 2000 figures have not been revised.

**Source:** GDPs are collected from OECD “National Accounts of OECD Countries”, Vol. 1, 2002. Trade Data are from Statistics Canada, International Trade Division.
• Foreign direct investment has increased
  – $C$321 billion
  – 1991 $C$135 billion

• North American product mandates common
Differences in Public Support

• While tariffs were largely eliminated, separate farm policies were maintained

• Different levels of support

• In the 1990’s, Canada fundamentally transformed its income support programs
  – Transportation subsidies were eliminated
  – Commodity specific stabilization programs were eliminated

• Support for grains and oilseeds is now well below that of the United States and the European Union and Mexico
Percentage PSE for all commodities

[Bar chart showing the percentage PSE for AU, CA, US, MX, and EU.]
Percentage PSE for wheat

![Graph showing percentage PSE for wheat from 1990 to 2001 for EU, US, and CA.]
Percentage PSE for wheat – 2001

<table>
<thead>
<tr>
<th>Country</th>
<th>PSE</th>
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<tbody>
<tr>
<td>AU</td>
<td>4</td>
</tr>
<tr>
<td>CA</td>
<td>18</td>
</tr>
<tr>
<td>US</td>
<td>40</td>
</tr>
<tr>
<td>MX</td>
<td>44</td>
</tr>
<tr>
<td>EU</td>
<td>44</td>
</tr>
</tbody>
</table>
Percentage PSE for corn – 2001

AU: 0
CA: 16
US: 26
MX: 50
EU: 37
Percentage PSE for oilseeds – 2001

AU: 3
CA: 20
US: 25
MX: 54
EU: 40
Percentage PSE for beef – 2001

![Bar Chart]

- AU: 3
- CA: 8
- US: 5
- MX: 7
- EU: 91
Percentage PSE for pork – 2001

![Percentage PSE for pork](chart.png)
Percentage PSE for dairy – 2001

- AU: 8
- CA: 50
- US: 51
- MX: 44
- EU: 40
Livestock

• Support for beef and pork tends to be modestly above levels in the United States

• Share of costs of non-commodity specific income stabilization plans which are generally available

• In most regions there are no commodity specific income support programs
• Canada’s support for dairy tends to be above levels in U.S. and Mexico

• This may change somewhat as U.S. Farm Bill provides new support for dairy

• Production is controlled through quotas so impact on world markets is minimal

• Dairy production is not eligible for income stabilization programs
While tariffs were reduced, regulatory frameworks were left intact

- Pesticide Registration regimes are different but converging:
  - increases costs
  - some minor use chemicals not available in Canada

- Restrictions on Sourcing:
  - Both countries have regulations which may hinder sourcing of imported products
    - In U.S., marketing orders impose different quality standards for imports than for local products
    - In Canada, bulk imports of horticulture products are prohibited unless a “shortage” can be demonstrated
Labeling and Packing Requirements are different:

- Different food composition packaging and labeling requirements
  - food ingredients
  - vitamins/minerals
  - health claims
  - food irradiation
  - container size
  - raises costs of serving more than one market
  - some products may not be available in one country
  - mis-inform consumers
  - Country of origin labeling
Border Risks

- Trade continues to be put at risk by trade remedy law which may not be consistent with an integrated market
  - Current countervail law consider only subsidies of imported products
  - Would it make sense to look at the subsidy level relating to that for local products??
  - Currently dumping can be found if imports are:
    - sold at a lower price than in domestic markets
    - sold at a price below the cost of production
  - The second criteria occurs whenever livestock industries contract. It is the market signal to lower output.
  - Does it make sense to impose anti-dumping duties if the same phenomenon is occurring in both countries??
How to move forward
Invigorate current NAFTA committees

- Currently there exists a set of NAFTA committees which meet regularly to
- Impact of Committees is mixed
- Some appear to only share information
- Others have succeeded in eliminating barriers
- Key is political consensus that change is desirable

Could some way be found to motivate existing committees to reduce barriers?
Creation of new NAFTA institution to pursue further integration

- In both countries, there exist forces supporting status quo
- There are no consistent institutional forces for change
- Could similar institutions be created in North America
Conclusions

• CUSTA/NAFTA provided significant stimulus to integration of N.A. agri-food economies

• Further integration may require a broader scope of harmonization

• Further integration may require creation of new forces to create momentum for reform