

Increasing Canadian Agri-Food Exports

Issue:

The growth of the national agri-food industry and rural economy is dependent on the successful completion of trade agreements such as the Trans-Pacific Partnership (TPP).

Background:

Economic growth in Canada remains highly dependent on exports. The Canadian agri-food sector has developed an international brand for producing safe, high-quality products that can significantly elevate domestic prosperity levels.

In 2012, over two-thirds of Canadian agri-food exports were destined for the United States. By July of 2013, China was Canada's second largest market. According to Farm Credit Canada¹, diversifying exports away from the United States will benefit the domestic industry as a dependence on a single market can be a long-term risk. Any event – political or economic – that creates declining US demand or prices will have a detrimental impact on Canada.

In a submission to the Senate Standing Committee on Agriculture and Forestry in October of 2014, the Canadian Agri-Food Policy Institute (CAPI) indicated that the primary challenge for industry and government(s) is positioning Canada in a world of increasing global food production and supply. Addressing this concern goes beyond trade agreements and entails linking policy, supply chain strategies and marketplace foresight.

Canada should however be negotiating traceability and general food safety principles into trade agreements, which is increasingly demanded by partners and positions Canada ahead of many competitors. Overall, according to the CAPI, prospects for the Canadian agri-food sector are strong since global supply chains want to lock-in reliable sources of food and value-added ingredients over the longer term.

A 2014 report from the Lawrence National Centre for Policy and Management at Western University's Ivey School of Business notes that securing access to global markets under fair terms is an important success factor for Canada's food manufacturing industry.

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU will provide Canadian companies with lower barriers than American-made products shipping into member nations. Overall, trade agreements such as CETA provide major implications for production location decisions by manufacturers and processors.

In a May 7, 2015 media release the Canadian Meat Council (CMC), which represents the largest sector of Canadian food processing, indicated that the Trans-Pacific Partnership (TPP) negotiations are "the most critical initiative in determining the future prospects for international trade and competitiveness." Anything less than the retention of a level playing field with TPP competitors would not be an acceptable outcome. All political parties in Canada must acknowledge the importance to Canada of maintaining competitive access to international markets for Canadian agriculture and agri-food products.

Failure to achieve market access parity would immediately place at risk more than \$1 billion in current meat exports, but also producer revenues and the jobs they create. Japan is the world's largest importer of pork and Canada's second largest customer after the United States and the loss of access to this market would be devastating for rural Canada.

An April 2, 2015 letter to Prime Minister Harper from the Canadian Chamber of Commerce, Canadian Council of Chief Executives, and Canadian Manufacturers & Exporters noted that the next step in the government's ambitious trade agenda must be to open new markets in the fast-growing Asia Pacific region. These negotiations represent a historic opportunity to provide Canadian entrepreneurs and exporters with access to almost 800 million new

¹ Canadian Agriculture and Agri-Food in the Global Economy 2013-14. Farm Credit Canada. 2014

customers. A successful outcome will position Canada as the only country in the world with privileged access to key markets across North America, Europe and Asia.

Recommendations

That the federal government:

1. Conclude and implement an ambitious TPP that includes competitive access for Canadian agri-food products.
2. Increase resources to expedite Canada's role in negotiations and ratification of the multilateral TPP agreement.
3. Focus on food safety principles for all international trade negotiations and agreements.