

WTO Agricultural Negotiations 2006 (DOHA Round)

A CFFO Policy Statement

1. CFFO's General Views on Trade

- 1.1 It is more important for agricultural trade between nations to be fair than free.
- 1.2 More trade between nations in agricultural products is not by definition a good thing. Trade leads to a lengthening of the food chain and an increased dependence on energy. This is not a sustainable future for much of our food system.
- 1.3 Changes in trade rules will not significantly change the opportunities for new markets for Canadian production. Trade rules are not the primary obstacle. Major commodities are in a state of overproduction to world economic market demand and there is little chance that changes in trade rules will take farmland, technology or farmers out of production. Canada is a high-cost farm economy (professional help, labour, technology, the prairies are long distances from markets, land rents, environmental regulations). Our dollar is rising. WTO rules, no matter how dramatic, will not trump U.S. internal trade remedy laws or the strength/willingness of the U.S. treasury to support U.S. farmers with domestic subsidies that allow their farmers to sell below their cost of production.
- 1.4 Since the Uruguay Round agreement, quite a bit of the support for major commodities (especially in the EU and U.S.) has been decoupled from production and turned into acreage payments. Just decoupling payments from production does not remove them from being trade distorting.
- 1.5 Canadian negotiators must obtain agricultural trade-related benefits in return for any new access to Canadian food markets agreed to in a new international trade agreement. These benefits must be clearly and specifically listed in the trade deal.
- 1.6 Existing agricultural opportunities must not be given up for trade opportunities in other sectors of the economy.
- 1.7 Since a few large multi-national food merchants have gained an inordinate amount of market clout in the food chain between farmers and consumers, it is imperative that Canadian negotiators reject any trade deals that will have the effect of expanding or enshrining their control over the food chain in Canada.
- 1.8 Canadian agriculture has not been a significant cause of the distortions that exist in the international market for farm products. Many of our policies are in response to the trade distortions created by the policies and programs in other countries. For example, our supply-managed commodities have allowed access up to the Uruguay Round agreement but few other countries have allowed a similar level of access. Canadian farm families should not be disadvantaged by reductions in support while U.S. and EU farm entrepreneurs keep support through redesigned programs.

- 1.9 The Canadian experience with softwood lumber, namely the U.S.'s refusal to allow NAFTA or WTO rules to supercede their own internal trade remedy laws, has taught us that WTO rules are not binding on the U.S.
- 1.10 We deplore Canadian farm voices that are willing to erode support for our supply management commodities in the hopes of improved opportunity for grains and red meats. These voices forget that supply-managed commodities provide a firm market for grains and that the opportunities for red meat and grain are not significantly limited by trade rules. The real limits on opportunities for grains and red meats are articulated in point 1.3 above.
- 1.11 If farmers in Canada and elsewhere are to earn more of their income from the marketplace and if they are to avoid selling below their cost of production (dumping), there has to be a policy initiative in WTO agreements that is not now on the agenda. World production of key commodities that are marketed globally have to align better with economic market demand. That requires the management of supply of some kind.
- 1.12 Canadian grain corn producers have done all of Canadian agriculture a service. Their initiative to countervail the subsidized imports of American grain corn has clearly "belled the cat." U.S. farmers sell grains below their cost of production to their own red meat and poultry sectors and into international markets. Wherever that subsidized production shows up in world markets, countervail duties should be applied to get Americans to admit – to themselves – that they are a key problem in world agricultural markets.
- 1.13 No deal is better than a bad deal. Ontario agriculture's future is with import replacement, not exports. Ontario is a net importer of food. Our expectations for benefits from more exports are very limited. Sustainable agriculture will increasingly be defined as local, bioregional and a short food chain.

2. CFFO Supports Maintaining Supply Management under Trade Rules

- 2.1 Domestic farm and food policy designed primarily to get domestic consumers to pay fair prices is not the jurisdiction of international trade agreements.
- 2.2 WTO negotiators must not include administered prices¹ when they are calculating a country's Aggregate Measure of Support. Receiving the cost of production that includes a fair return on investment and labour is not a subsidy.
- 2.3 Over-quota tariffs must be maintained at current levels and be adjusted by a formula based on the strength of the Canadian dollar compared to the U.S. dollar so that the tariff will hold its value for the duration of the agreement.
- 2.4 The minimum access of 5% must be binding on all countries. (We recognize that a new base period may need to be established.) There must be no pressure on us to increase access until other countries are, in fact, experiencing imports at this level.

¹ Administered prices are those set by our marketing boards that have authority to manage supply and use cost of production formulas to set or negotiate prices.

- 2.5 All tariffs on minimum access (Tariff Rate Quotas) must be removed and the rules for minimum access should be changed so that the access cannot be allocated to specific countries.
- 2.6 Canadian supply-managed commodities must be allowed to be exported as long as the importing country pays our domestic (administered) prices or higher.
- 2.7 Countries must be able to adapt their policies to new technology, new processes and new products so that the net effect of a signed trade agreement remains consistent over time (blends, chocolate milk, butter oil).
- 2.8 In the present Doha Round of trade talks, the production from all supply management systems must be included in sensitive products.

3. CFFO Supports Creating Fairer Opportunities for the Grain and Red Meat Sector

- 3.1 All export subsidies must be eliminated within ten years. This must include programs such as the Export Credit Guarantee Programs operated by the USDA's Foreign Agricultural Service.
- 3.2 Domestic subsidies that are linked to production or have been replaced with acreage payments must be reduced
- 3.3 There must be a cap on total spending on programs in the amber and blue box. The cap must be a percentage of the total value of agricultural production in any one country.
- 3.4 Payments linked to the environmental goods and services that agriculture provides in conjunction with food production must be acceptable under trade rules but need auditing to assure the world community that these payments are not just another acreage payment.
- 3.5 The U.S. must give up its internal trade remedy laws and rely solely on the WTO and other international agreements for any remedies in trade disputes.
- 3.6 Until such time as the U.S. gives up its internal trade remedy laws, Canada must adopt identical internal trade remedies.
- 3.7 The WTO and the U.S. should be put on notice that any and all U.S. production that moves into export markets and benefits from below-cost-of-production inputs will be vigorously countervailed.

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Provincial Council

Christian Farmers Federation of Ontario