



Agriculture & the new NAFTA

Overview – Ag trade: Canada & the US in the new NAFTA and Globally

05 Global perspective on current issues impacting North American agriculture trade.

Agricultural trade in Northern North America

New NAFTA

- What's in it?
- Issues to watch
- What is holding us back from expanding global (or even North American) market share?

Your video will play after this ad.

CANADA WEST FOUNDATION

cwf.ca

The Canada West Foundation focuses on the policies that shape the West, and by extension, Canada. Through our evidence-based research and commentary, we provide practical solutions to tough public policy challenges facing the West, and Canada as a whole, at home and on the global stage.

Trade & Investment Centre

Patrons

Arthur J.E. Child Foundation Endowment
Fund at the Calgary Foundation

CN

Max Bell Foundation

Prince Rupert Port Authority

Vancouver Fraser Port Authority

Government of Alberta

Government of Manitoba

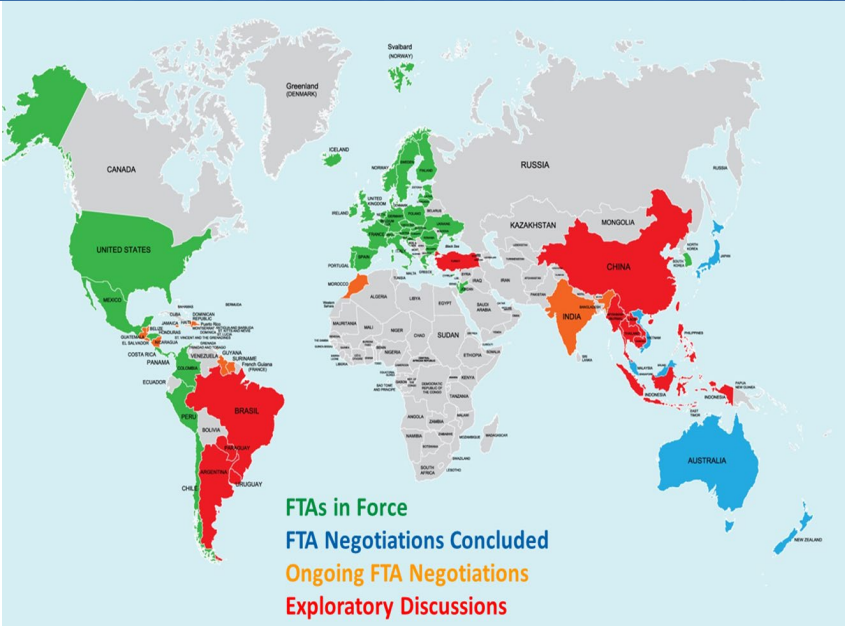
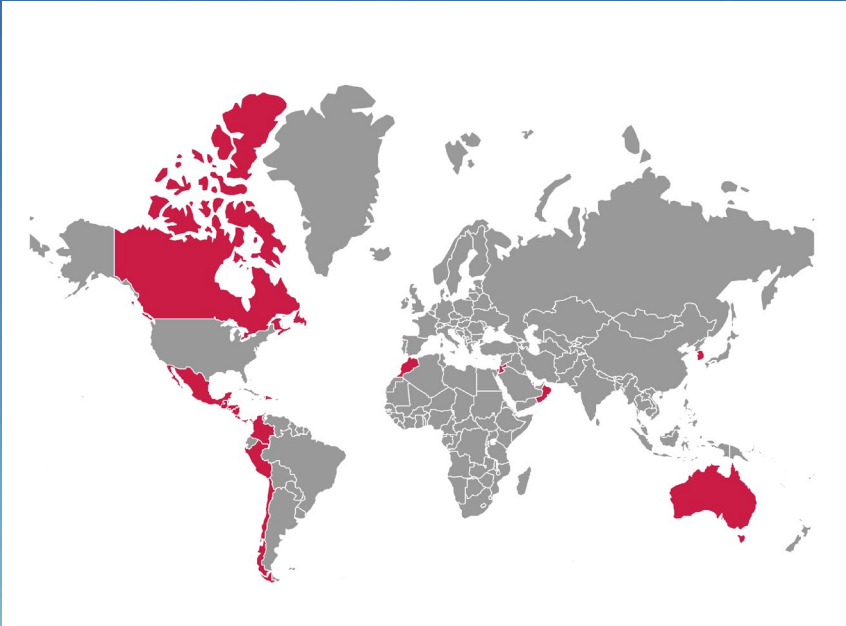
Government of Canada

DIVERGENCE

...the future of Canada-US Ag trade?

01





U.S.

Canada





3 NAFTAs



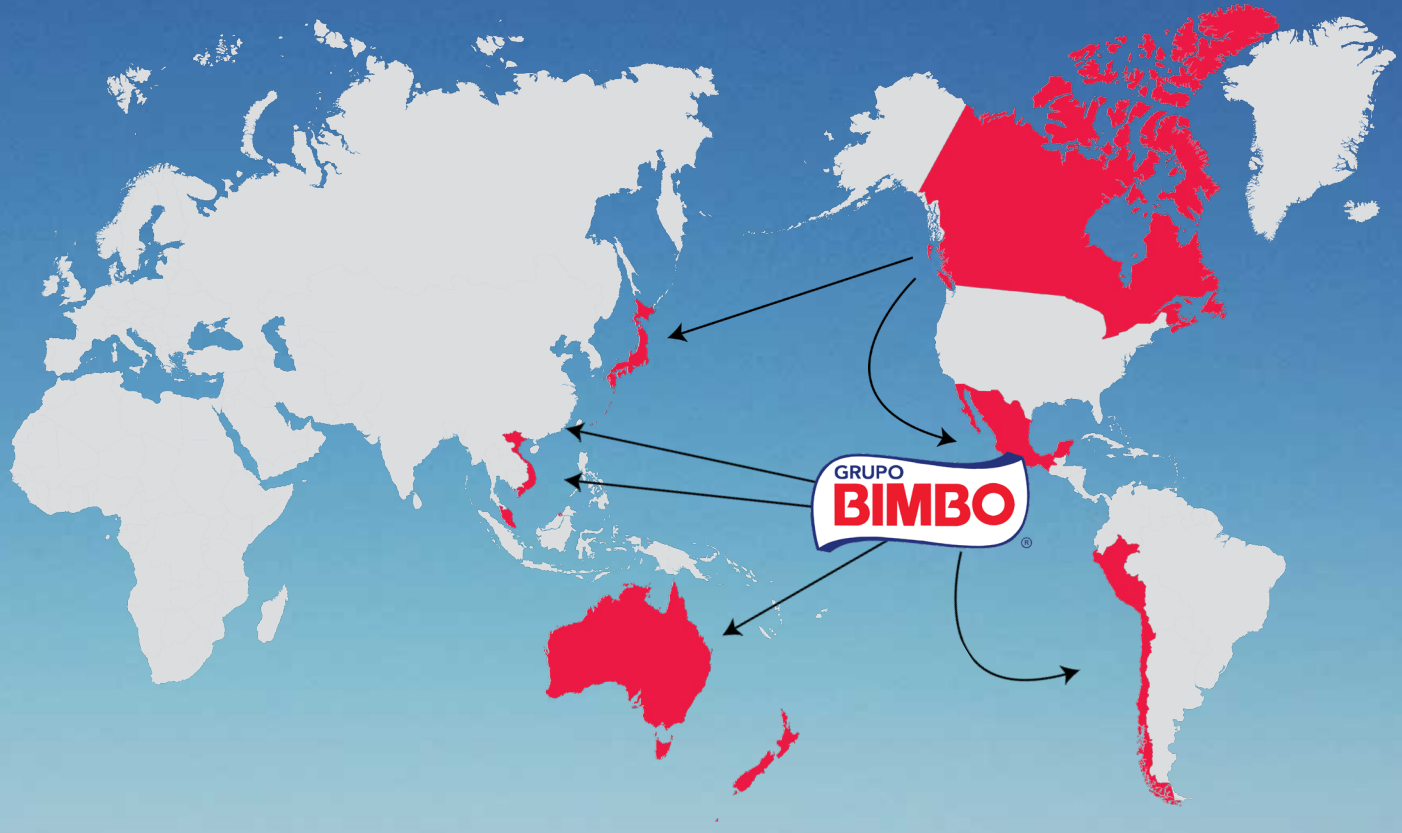
HS Code	HS Code categorization	Japan (TPP Country Example)	
		WTO MFN (USA)	TPP (Canada)
071310 Peas dried	071310.01 solely for sowing by chemical treatment (for example, sterilisation, acceleration of germination)	0	0
	071310.211 (1) Certified as seeds for sowing vegetables	6%	0
	071310.221 - small red beans, kidney beans, bambara beans, cow peas, other beans (<i>Vigna</i> spp., <i>Phaseolus</i> spp.), broad beans, pigeon peas and other dried leguminous vegetables	10%	0
	071310.229 Other	354 yen/kg	321.82 yen/kg – year 1 193.09 yen/kg – year 5 0 – year 11
071340.020	Lentils dried other than for sowing by chemical treatment	8.50%	0
100111.090	Durum wheat - other	55 yen/kg	55 yen/kg
100191.011	Meslin	20%	see CSQ-JP7

CPTPP Projected Canadian grain sector impacts 2035, gains and losses in \$USD thousands

	CPTPP partners									non-CPTPP important Canadian partners		
	Australia	Chile	Japan	Malaysia	Mexico	New Zealand	Peru	Singapore	Vietnam	EU28	USA	China
Wheat & Cereals	- 0.0230	- 386.5280	25,092.7120	25.7420	- 4,054.5350	14.6740	- 1,271.1180	- 61.1530	715.364	- 3,809.5710	- 5,118.4080	- 1,100.7850
Fruit & Vegetables	- 79.4700	- 259.4940	241,879.7740	20.4650	- 1,293.9220	- 11.6360	- 511.3380	- 4.8870	2,170.7010	- 3,673.9960	- 15,095.7030	- 8,632.0800
Oilseeds & Vegetable Oils	65.4080	- 126.6670	12,974.7310	101.3340	- 3,627.1970	119.5040	- 13.4930	9.1390	3,103.8050	- 2,420.8380	- 7,538.0860	- 10,307.1290
Other Agriculture	117.0770	- 59.7800	29,564.6980	- 65.2950	- 1,185.0960	14.3370	- 24.1790	- 8.1270	278.0910	- 2,102.8750	- 24,532.4700	- 6,924.6830
Total	102.9920	- 832.4690	309,511.9150	82.2460	- 10,160.7500	136.8790	- 1,820.1280	- 65.0280	6,267.9610	- 12,007.2800	- 52,284.6670	- 26,964.6770

		American selling to EU	Canadian selling to EU		American selling to JPN	Canadian selling to JPN
Commodity	H.S. Code	WTO MFN	CDN - CETA		WTO MFN	CDN-TPP
Wheat and Meslin	1001.99	95€/tonne	71€/tonne		9.8¥/kg	
Durum	1001.19	148€/tonne	111€/tonne		9.8¥/kg	
Oats	1004.90	89€/tonne	66€/tonne		0	
Corn	1005.90	94€/tonne	0		50% or 12¥/kg	
Malt	1107.10	150€/tonne	0		21.30¥/kg	
Rolled Oats	1104.12	180€/tonne	0		0	
Protein concentrates	2106.10.20	12.80%	0		12.50%	11% 9.5%

Source: WTO, CPTPP tariff schedule



02

Ag Trade in N. America

...where we've been, where we are

Historic agricultural trade under NAFTA

CANADA

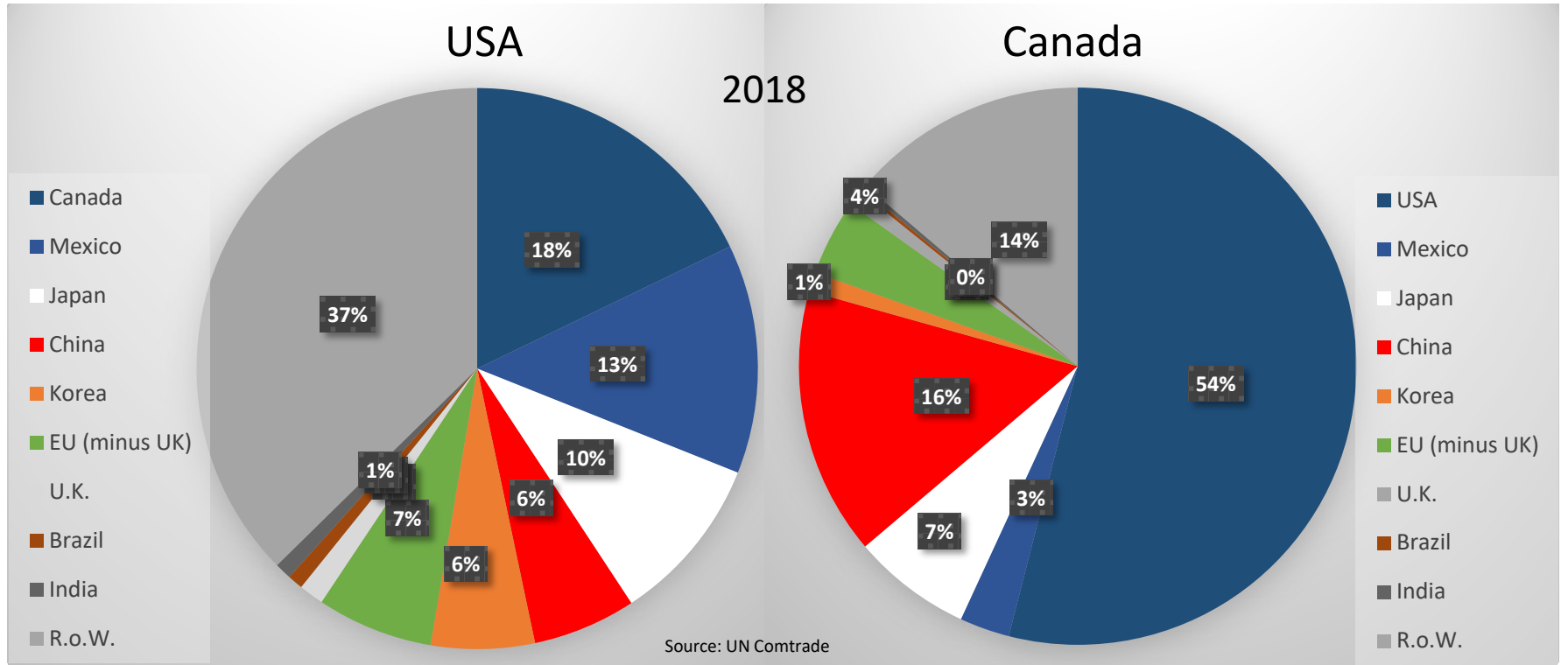
- Agriculture exports to the U.S. **increased 228%**
- Agriculture exports to Mexico **increased 573%**

UNITED STATES

- Agriculture exports to Mexico have **nearly doubled**
- Agriculture exports to Canada **rose 44%**
- More than a quarter of its agriculture exports go to NAFTA partners

MEXICO

- Agriculture exports to Canada **increased 1,200%** (mostly vegetables)
- Bi-lateral agriculture trade with the U.S. has expanded fivefold



NAFTA old and new

...its relative importance

03

2nd recent attempt to update of NAFTA

1st – Windows95 to Windows10

2nd – Windows95 to Windows98

USMCA = Concessions to keep what we already have



Image: Wikipedia fair use image

So, what changed?

1. Dairy/poultry – Peanuts/Sugar
2. Grain grading
3. Sanitary/Phytosanitary
4. Biotech in agriculture
5. Alcohol
6. GLS - Bourbon comes from U.S., Tequila from Mexico, Brie from Wisconsin

What if the U.S. withdraws?

U.S. top Ag exports to Mexico, 2017

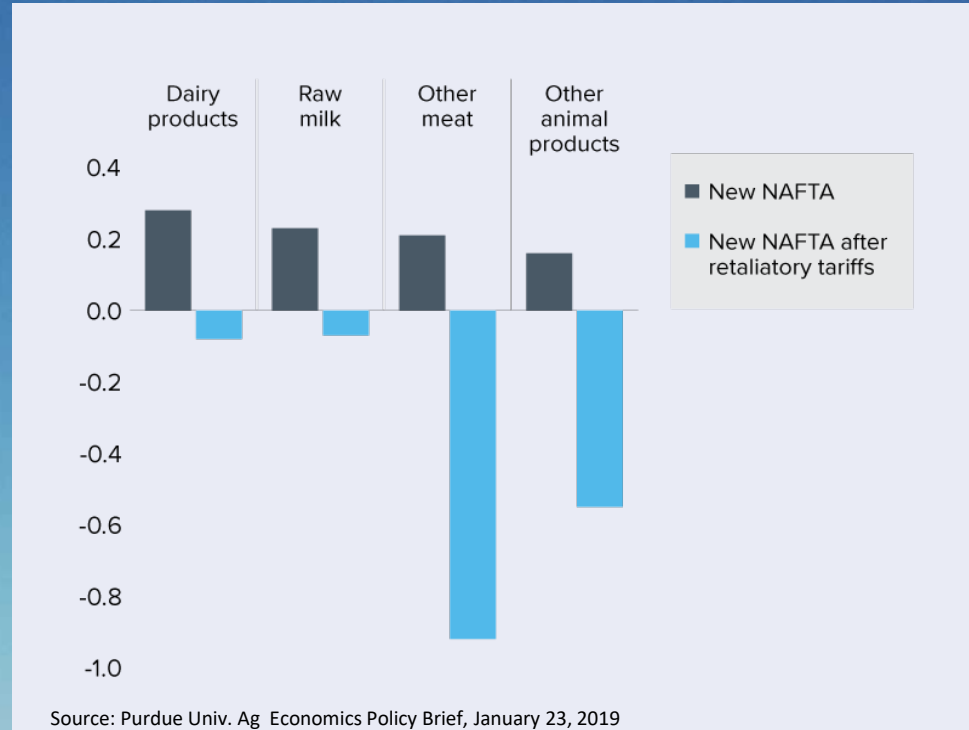
Product	Value (USD 000,000)	Mexico WTO tariff or What US producers would pay	NAFTA tariff or What Canadian producers would pay
Corn (excl. seed)	\$ 2,257,333	4	
Soybean, other	\$ 1,585,457	7.5	
Wheat (excl. seed and duru	\$ 696,097	7.5	0
Cotton	\$ 350,487	0	
Rice in husk	\$ 199,982	9	
Grain sorghum (excl. seed)	\$ 75,275	7.5	
Other SK opportunities in Mexico			
Pulses	Value (USD 000,000)	Mexico WTO tariff	NAFTA tariff
Other kidney beans	\$ 34,420	33.8	
Black beans	\$ 29,119	10	
Lentils (excluding seed)	\$ 19,611	10	
Pinto beans	\$ 14,882	10	
Grt Nthrn Beans	\$ 4,383	10	0
Peas	\$ 1,883	5	
Split peas	\$ 1,850	5	
Navy pea beans	\$ 1,839	33.8	
Beans	\$ 1,640	10	

Sources: USDA, Foreign Agriculture Service, WTO Tariff Download Facility, Canada Tariff Finder

Top 10 Canadian Ag export to US & tariff scenarios

HS code	Chapters	Domestic exports (CAD\$)	% of total ag export	1. USA (tariff under USMCA)	1. USA (tariff under MFN)
.19.	Preparations of cereal, flour, starch or milk; pastrycooks' products	\$4,133,321,393	12%	0%	0.78%
.03.	Fish and crustaceans, molluscs and other aquatic invertebrates	\$3,683,158,000	11%	0%	4.50%
.02.	Meat and edible meat offal	\$3,175,790,969	9%	0%	0.46%
.15.	Animal/veg fats and oils and their cleavage prod; prepr edbl fats; animal/veg waxes	\$2,807,386,886	8%	0%	8.68%
.07.	Edible vegetables and certain roots and tubers	\$2,351,103,395	7%	0%	1.53%
.20.	Preparations of vegetable, fruit, nuts or other parts of plants	\$1,930,270,050	6%	0%	3.48%
.18.	Cocoa and cocoa preparations	\$1,899,951,038	6%	2.16%	3.18%
.23.	Residues and waste from the food industries; prepared animal fodder	\$1,878,740,094	6%	2.41%	5.27%
.01.	Live animals	\$1,777,445,926	5%	0.69%	10.84%
.21.	Miscellaneous edible preparations	\$1,704,175,196	5%	1.71%	5.39%
.10.	Cereals	\$1,603,712,839	5%	0%	0.56%

US Ag Gains & Losses: New NAFTA VS Retaliatory Tariffs



NAFTA/USMCA is not everything

NOT IN NAFTA

Canada-U.S. Beyond the Border action plan,
including better trade facilitation

Free and Secure Trade Program (FAST)

Canada-U.S. Customs pre-clearance agreement

Canada-U.S. Regulatory Cooperation Council (RCC)

NEXUS trusted traveler program

WTO trade dispute settlement mechanism

Sub-national engagement

WTO SPS measures are similar to NAFTA's rules

CAUTION

New NAFTA  certainty or end of troubles

04



Unilateral Executive Power

Trading with the Enemy Act of 1917	Seize foreign-owned assets of all kinds
Trade Expansion Act of 1962	Impose tariffs or quotas as needed to offset the national security impact
Trade Act of 1974	Impose tariffs up to 15 percent, or quantitative or both for up to 150 percent, to correct a balance of payments deficit If country denies US presidential discretion
International Emergency Economic Powers Act of 1977	All forms of international trade freeze foreign-owned assets
NAFTA Implementation Act of 1993	Proclaim return to Most Favored Nation status for imports from Canada Proclaim additional trade restrictions following consultation

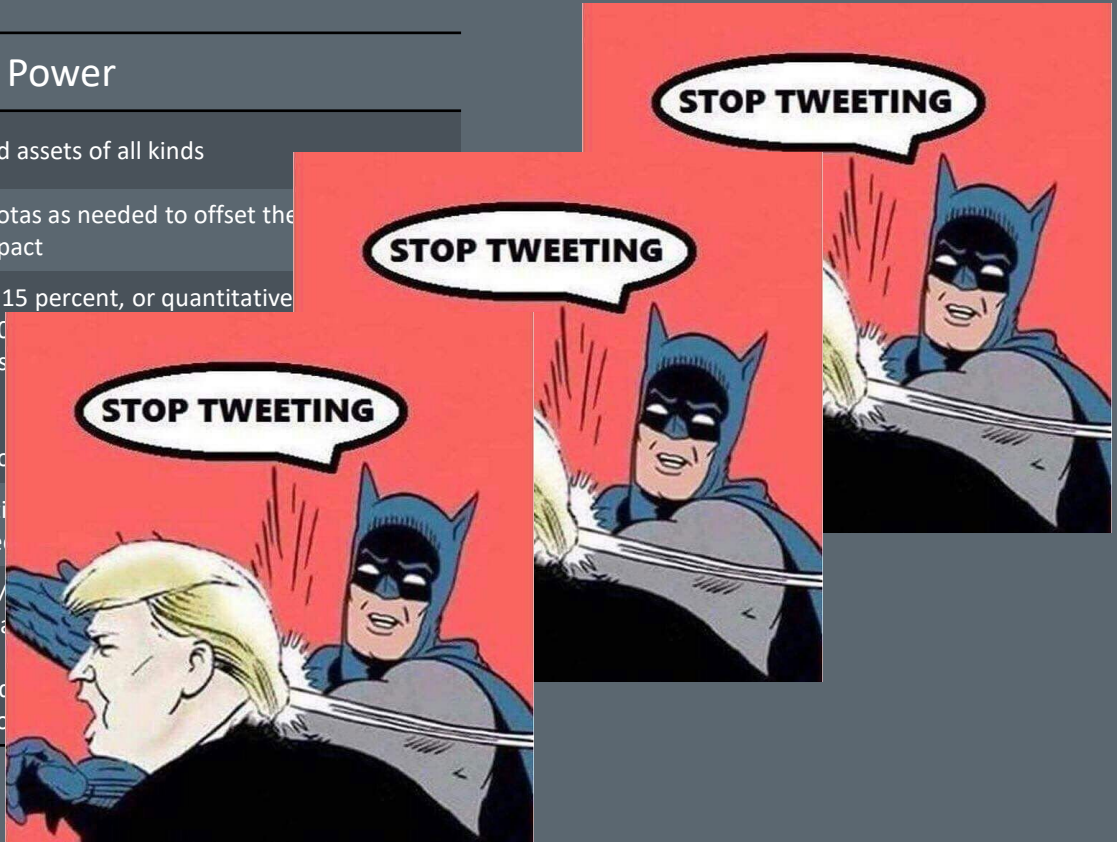


Image: flickr

05

The New NAFTA

...3 issues for action going forward

1st

Defend all

- RCC not just USMCA

Realistic Advocacy

- Do not oversell
- New NAFTA is important, it is not a cure all

2nd

For states / provinces

- Stop local problems becoming national, *keep COOL on ice*
- Expand, Create, Cooperate, *limit dysfunction to DCA/YOW*
 - ✓ North American Infrastructure Bank
 - ✓ IP, R2R, frameworks for Ag

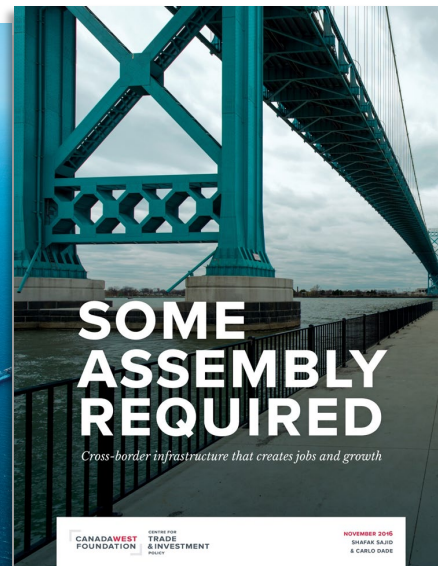
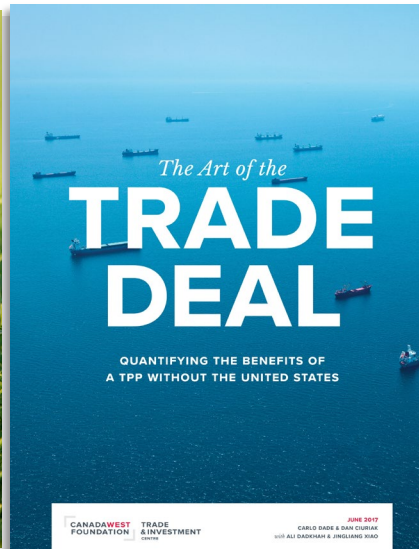
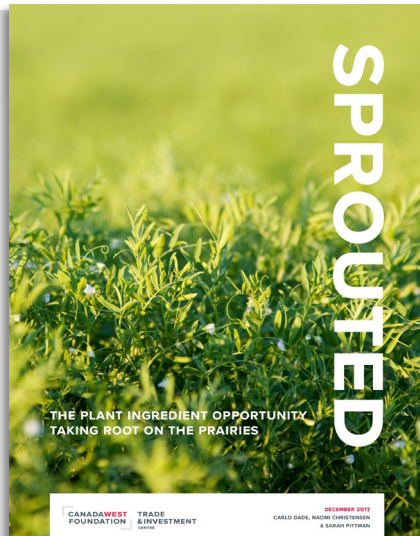
3rd

Areas for Action

- Realistic advocacy
- Safeguard e.g., RCC
(all other integration tools)

State level cooperation

- Avoid problems
(e.g., COO, grain grading)
- State-Provincial Cooperation
(e.g., digital locks on ag equipment)
- What is holding us back
from expanding global (or
even North American)
market share?



Canada West Foundation, *Centre on Trade and Investment*

cwf.ca

CANADAWEST FOUNDATION

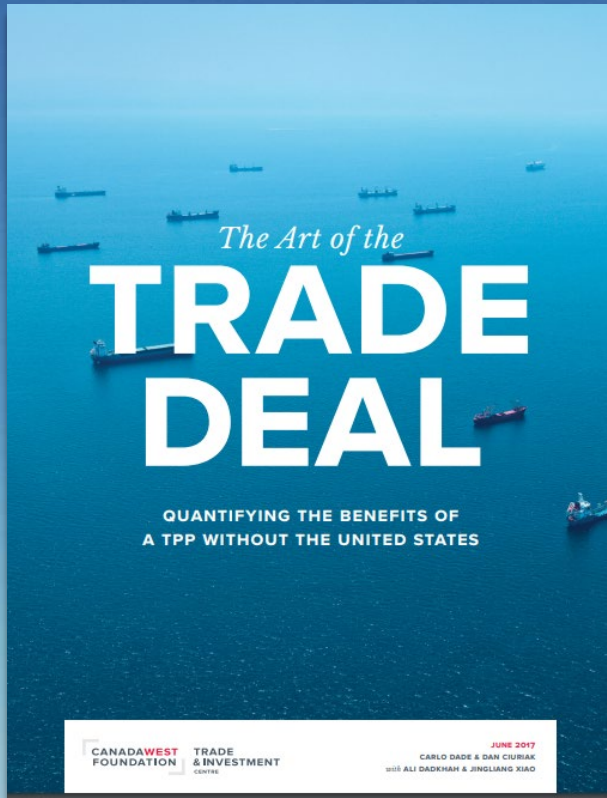


FIGURE 12: SECTORAL IMPACTS OF TPP11 ON CANADA (C\$ MILLIONS) (%)

	Exports to TPP	Imports from TPP	Total exports	Total imports	Domestic shipments	Total shipments	Exports to TPP %	Imports from TPP %	Total shipments %
Rice	0	0	0	2	0	0	0.13	-0.45	0.05
Wheat and Cereals	29	0	-29	3	14	-16	1.28	0.20	-0.07
Fruit and Vegetables	351	3	256	9	-2	254	141.97	0.16	3.27
Oilseeds and Vegetable Oils	18	25	-18	14	-11	-29	0.37	27.67	-0.08
Sugar	0	0	-1	1	3	2	-0.07	0.00	0.05
Other Agriculture	42	1	-19	21	250	231	10.60	0.30	0.91
Dairy	8	517	23	285	-973	-949	8.44	501.51	-2.26
Forestry	0	0	-3	1	25	22	0.03	1.26	0.07
Fishing	9	0	6	6	17	24	9.62	0.32	0.34
Fossil Fuels	6	13	-24	36	82	58	0.20	1.23	0.02
Mineral Products	4	8	-14	19	34	19	0.16	0.20	0.02
Beef	578	-11	543	28	232	775	59.01	-2.13	2.07
Pork and Poultry	208	1	177	30	79	256	12.48	0.55	1.18
Food Products	241	66	216	65	45	262	14.06	5.14	0.30
Beverages and Tobacco	103	9	100	15	37	137	37.48	0.90	0.42
Textiles and Apparel	75	1,699	117	423	-366	-249	26.56	94.46	-0.85
Leather Products	38	537	41	116	-62	-21	129.73	80.37	-1.06
Wood Products	195	191	115	128	35	150	4.78	5.80	0.07
CRP	195	262	115	152	-27	88	2.98	4.02	0.04
Metal Products	134	37	-14	76	43	28	2.95	0.24	0.01
Automotive	158	1,429	232	408	-232	0	3.18	65.54	0.00
Transport Equipment	157	51	91	44	-4	87	5.26	3.17	0.17
Electronic Equipment	7	16	-7	41	6	-1	0.34	0.16	0.00
Machinery and Equipment	242	110	130	168	-13	117	3.78	0.94	0.08
Other Manufacturing	25	37	4	31	68	73	6.47	10.22	0.06
Other Services	0	-1	-16	26	1,392	1,376	0.02	-0.13	0.11
Construction	4	24	3	10	618	621	3.54	7.46	0.11
Trade	11	1	1	17	746	747	0.92	0.11	0.10
Transportation Services	29	38	14	42	107	120	0.85	1.78	0.06
Communications	3	5	-3	10	130	127	0.60	1.04	0.09
Financial Services	28	20	-3	45	289	286	3.05	2.83	0.09
Business Services	345	300	284	135	362	645	4.09	9.58	0.10
Recreation Services	11	9	-3	20	96	92	0.55	1.00	0.08
Total Goods	2,825	5,001	2,039	2,122	-719	1,319	5.52	5.99	0.06
Total Services	431	396	276	305	3,738	4,015	2.49	4.42	0.10
Total Shipments	3,256	5,397	2,315	2,427	3,019	5,334	4.75	5.83	0.09