The CPTPP and CANADIAN AGRICULTURE

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U.S. and Canadian Perspectives on Trans-Pacific Trade
At the National Press Club
Washington, D.C.
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Canada is proud of its national food icons…
And of its international stars…
Export of Canadian major crops by year by value

Source: Agriculture and Agri-Food Canada and Statistics Canada, 2017
## Total Canadian agriculture and food trade

### Imports and exports in Canadian agri-food (total CDN$ million)

<table>
<thead>
<tr>
<th>Trade</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agri-Food Exports:</td>
<td>51,604.069</td>
<td>55,636.356</td>
<td>55,977.755</td>
</tr>
<tr>
<td>Agri-Food Imports:</td>
<td>39,461.804</td>
<td>43,515.143</td>
<td>44,522.798</td>
</tr>
<tr>
<td>Agri-Food Trade Balance:</td>
<td>12,142.264</td>
<td>12,121.213</td>
<td>11,454.957</td>
</tr>
</tbody>
</table>

Source: Agriculture and Agri-Food Canada and Statistics Canada, 2017
Canadian ag & food trade with the USA

More flowing north than south … ($2.2 Billion USD in 2016)

Source: Agriculture and Agri-Food Canada, 2016
Canada’s ag & food trade partners

Canadian agri-food exports by country of destination (2014)

Source: Agriculture and Agri-Food Canada and Statistics Canada, 2017
Canada’s agenda for trade diversification

2017 - Canada saw a need for a growing global trade network for ag & food products to broaden trade reach to achieve 50% more exports by 2025 (Barton Report).

2018 - Ministry of Trade Diversification created and Minister appointed

Currently – Canada has 14 free trade agreements (3 plurilateral and 11 bilateral)
- FTA/ NAFTA/ CUSMA
- CETA (Canada-European Comprehensive Economic and Trade Agreement) and
- CPTPP (Comprehensive and Progressive Trans-Pacific Partnership)

Total current ag & food trade partner countries = 51
## Noodle Bowl of Existing FTAs in TPP zone

<table>
<thead>
<tr>
<th>Country</th>
<th>Canadian FTAs</th>
<th>FTAs amongst CPTPP Members</th>
<th>FTA’s with key non-members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>NAFTA/CUSMA</td>
<td>Chile, Peru, Australia, Japan</td>
<td>EU</td>
</tr>
<tr>
<td>Mexico</td>
<td>NAFTA/CUSMA</td>
<td>Australia, Mexico, Brunei, Malaysia, Singapore</td>
<td>EU</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>Mexico, Singapore</td>
<td>US, EU, China</td>
</tr>
<tr>
<td>Peru</td>
<td>Canada-Peru</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>Canada-Chile</td>
<td>Mexico, Australia, Malaysia, Vietnam, Brunei</td>
<td>US, EU, China</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td>Australia, Singapore, Brunei</td>
<td>China</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td>Japan, New Zealand, Singapore, Chile, Malaysia, Brunei</td>
<td>US, China</td>
</tr>
<tr>
<td>Brunei</td>
<td></td>
<td>Australia-New Zealand, Japan, Chile</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td>Chile</td>
<td>EU</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td>Japan, Australia, New Zealand, Chile</td>
<td>India</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>Australia, New Zealand, Japan, Peru</td>
<td>EU, US, China, India</td>
</tr>
</tbody>
</table>
Understanding the CPTPP

• 11 Pacific rim countries
• Canada, Mexico, Peru, Chile, New Zealand, Australia, Malaysia, Vietnam, Brunei, Singapore, Japan
• Ratified by Canada, Australia, Japan, Mexico, New Zealand, Singapore, Vietnam and entered into force for them on December 30, 2018
• Japan is easily the largest economy; followed by Canada, Australia, and Mexico
• Many members had bilateral Free Trade Agreements (FTAs) with other member countries prior to CPTPP, or are part of other regional agreements
2017 GDP, CPTPP member countries

Source: World Bank
Access to Larger, Faster Growing Populations (Population, 2018)

Basic Analysis of Prospective Opportunities

• Benefit of CPTPP and ↓ tariffs and/or ↑ TRQ’s is incremental, given:
  • Existing arrangements with member countries
  • Existing tariff levels
  • Market size

• For countries with whom we already have FTAs with similar access, already have very low or zero tariff rates on products we can export, or are small markets, incremental benefit of CPTPP is low or zero

• New/meaningful access has value
Approach

• What barriers to trade currently exist?
• Understand the size of CPTPP country markets, role of imports
  • What share does Canada have under existing access?
  • Who are the competitors?
  • What access do competitors have?
• What will change under CPTPP?
  • How will Canada’s access change versus key competitors?
• Filter/focus on products/markets
  • Canada on “offense” and on “defense”
  • Where change in access is material
  • Where preferential access versus competitors can be identified
Indicator Agri-food products for Canada

• “On Offense” Interests
  • Pork
  • Beef
  • Wheat
  • Canola
  • Soybeans
  • Potato products

• “On Defense” Interests
  • Dairy
  • Poultry and Eggs
Some initial observations

• Some CPTPP members have MFN tariffs on agri-food products of zero (or very low)- regardless of CPTPP
  • Singapore, Chile, Australia and New Zealand- radically open economies
  • Developing members dependent upon imports to upgrade diets- e.g. Brunei

• Some have non-tariff barriers not analyzed here
  • e.g. Food safety/disease measures- Australia and New Zealand
  • Barriers targeting more processed vs. farm products

• Canada already has free trade with others
  • e.g. Mexico, Chile
Canada “On Offense”

- Key markets with significant barriers, material in size, in which Canada has no existing preferential access
  - Japan
    - Pork, beef, wheat
  - Malaysia
    - Beef, pork
  - Peru
    - Pork
## Base Rates, Indicator Products

<table>
<thead>
<tr>
<th>Country</th>
<th>Australia</th>
<th>Brunei</th>
<th>Chile</th>
<th>Japan</th>
<th>Malaysia</th>
<th>Mexico</th>
<th>New Zealand</th>
<th>Peru</th>
<th>Singapore</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pork</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15-27%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>¥361-482/kg</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
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<td>Safeguard</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>TRQ on half carcasses,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>25% in quota 50% over quota,</td>
<td>0</td>
<td></td>
<td></td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>0 NES</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Beef</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15-31%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>38.50%</td>
<td></td>
<td></td>
<td></td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>TRQ on half carcasses,</td>
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<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>25% in quota 50% over quota,</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>quota, 0 NES</td>
<td>0</td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Wheat</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0 ¥55/kg</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Canola</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Soybeans</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Potatoes</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20%</td>
</tr>
</tbody>
</table>
## Tariff Reduction Commitments, Indicator Products

<table>
<thead>
<tr>
<th>Indicator Products</th>
<th>Australia</th>
<th>Brunei</th>
<th>Chile</th>
<th>Japan</th>
<th>Malaysia</th>
<th>Mexico</th>
<th>New Zealand</th>
<th>Peru</th>
<th>Singapore</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>0 on EIF</td>
<td>↓¥93.75-125 on EIF</td>
<td>TRQ phase out Year 16</td>
<td>0 by year 11 (some less)</td>
<td>0 by year 9 (some less)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>0 on EIF</td>
<td>9% by year 16</td>
<td>TRQ phase out Year 16</td>
<td>0 by year 11 (some less)</td>
<td>0 by year 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>CSQ, ↓ in quota tariff to ¥16.1</td>
<td>0</td>
<td>0</td>
<td>0 on EIF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canola</td>
<td>0</td>
<td>0</td>
<td>0 on EIF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soybeans</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potatoes</td>
<td>0 on EIF</td>
<td>0 on EIF</td>
<td>0 on EIF</td>
<td>0 by year 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(EIF- Entry into force)
Sources of Malaysian Pork Consumption 2017 (tonnes)

- Domestic: 4,448 tonnes
- Canada: 1,579 tonnes
- US: 7,856 tonnes
- Denmark: 4,251 tonnes
- Spain: 26 tonnes
- Mexico: 171,560 tonnes
- Germany: 4,448 tonnes
- Netherlands: 1,579 tonnes
- Chile: 7,856 tonnes
- Malaysia: 4,251 tonnes
- Vietnam: 26 tonnes
- Others: 4,448 tonnes
### Sources of Peru Pork Consumption 2017 (tonnes)

<table>
<thead>
<tr>
<th>Source</th>
<th>Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>589,841</td>
</tr>
<tr>
<td>Canada</td>
<td>693</td>
</tr>
<tr>
<td>US</td>
<td>3,637</td>
</tr>
<tr>
<td>Denmark</td>
<td>4,192</td>
</tr>
<tr>
<td>Spain</td>
<td>4,191</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
</tr>
</tbody>
</table>

*Note: The data for US, Denmark, Spain, Mexico, Germany, Netherlands, Chile, Malaysia, and Vietnam is not available.*
Sources of Chilled Beef, Japan, 2017 (tonnes)

- Domestic: 137,025 tonnes
- Canada: 5,576 tonnes
- US: 117,562 tonnes
- Mexico: 1,286 tonnes
- Australia: 3,286 tonnes
- India: 2,314 tonnes
- Brazil: 3,286 tonnes
- New Zealand: 2,314 tonnes
- Chile: 2,314 tonnes
- Paraguay: 2,314 tonnes
- Uruguay: 2,314 tonnes
- Others: 2,314 tonnes
Sources of Frozen Beef, Japan, 2017 (tonnes)

- Domestic: 170,000 tonnes
- Canada: 10,173 tonnes
- US: 8,937 tonnes
- Mexico: 102,555 tonnes
- Australia: 15,425 tonnes
- India: 182,248 tonnes
- Brazil: 15,240 tonnes
- New Zealand: 8,937 tonnes
- Chile: 10,173 tonnes
- Paraguay: 8,937 tonnes
- Uruguay: 10,173 tonnes
- Others: 15,425 tonnes
Sources of Frozen Beef, Malaysia, 2017 (tonnes)

- Domestic: 112,839 tonnes
- Canada: 4,336 tonnes
- US: 1,817 tonnes
- Mexico: 42,028 tonnes
- Australia: 11,340 tonnes
- India: 2,502 tonnes
- Brazil: 1,396 tonnes
- New Zealand: 1,141 tonnes
- Chile: 926 tonnes
- Paraguay: 789 tonnes
- Uruguay: 410 tonnes
- Others: 478 tonnes

Total: 188,898 tonnes
Wheat Supply, Japan, 2017 (tonnes)

- Domestic: 3,803,024
- Canada: 41,446
- US: 64,885
- Australia: 28,278
- New Zealand: 906,700
- Ukraine: 2,374,698
- Russia: 1,322,911
- Argentina: 41,446
- Chile: 2,274,698
- Others: 41,446
Observations

• Real focus of opportunity for Canada is pork, beef, and wheat in Japan
  • Greater opportunity may exist in value-added products made from these
• Opportunity to leverage preferred market access versus U.S. product, front loaded access, existing market presence
• U.S. is the key competitor in Japan, but now odd one out vs. Canada, Australia, and New Zealand
• Important challenge for Canada is managing capacity and positioning of small country in a large market
• Elsewhere, competing with domestic product or imports occurring on a different quality spec, more deferred basis- Malaysia, Peru
Canada “On Defense”

- Access granted to Canadian dairy market in CPTPP, CETA, CUSMA through TRQ’s (about 10% total new market access from the 3 agreements)
- Industries perceive cumulative effects of these trade agreements taken together
- Some CPTPP access anticipated U.S. membership; without U.S., it will likely reduce TRQ fill rates
- Access to others granted to Canada in agreements faces serious obstacles
  - Ban on subsidized export within trade agreements (dairy)
  - Forthcoming full implementation of Nairobi Declaration in 2021 (dairy)
  - Prospect of NTB issues- NZ and Australia (poultry and eggs)
  - Domestically focused marketing system (all)
- Access granted under CPTPP not sufficient in magnitude to undermine operation of supply management systems in Canada
Conclusions – CPTPP a winner

(1) Canada has secured a significant competitive victory with rates of preferential access vs. the U.S. in CPTPP, especially in Japan

(2) Estimated benefits from the Canadian Agri-Food Trade Alliance in new export market access under CPTPP
   - Pork- exports expected to climb by over Can$ 200 million
   - Beef- expected increases in exports by almost $Can 600 million
   - Oilseeds and vegetable oil export value to increase by almost $Can 18 million
   - Fruits and vegetables- expected increases in exports of Can$ 345 million
   - Processed foods- expected to increase by Can$ 237 million
   - Overall, agri-food sales are expected to rise by a total of Can$ 1.84 billion/USD$ 1.38 billion

(3) Challenge will now be to effectively utilize and build capacity to expand market share and value

(4) Market access allowed under CPTPP is damaging to Canada’s supply managed industries, but not fatal

(5) In a global context with multilateralism under WTO weakened, CPTPP assumes a greater significance
Curious for more?
Ask me. Thanks for your attention.

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🚀 @CdnAgriFood
Canadian Beef Cow Inventory

![Graph showing the Canadian Beef Cow Inventory from 2008 to 2018. The graph displays the number of Beef Cows and Beef Replacement Heifers in millions. The data shows an increasing trend in the number of Beef Replacement Heifers and a fluctuating trend for Beef Cows. The source of the data is Statistics Canada.](image)

Source: Statistics Canada
Canadian Sow Inventory

Source: Statistics Canada
## Dairy Market Access (assuming Year 6 Implementation)

<table>
<thead>
<tr>
<th>Product</th>
<th>USMCA</th>
<th>CETA</th>
<th>CPTPP</th>
<th>WTO-Global Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metric Tons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk</td>
<td>50,000</td>
<td>50,000</td>
<td>64,500</td>
<td>164,500</td>
</tr>
<tr>
<td>Cream</td>
<td>10,500</td>
<td>580</td>
<td>394</td>
<td>11,474</td>
</tr>
<tr>
<td>SMP</td>
<td>7,500</td>
<td>7,500</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Butter + Cream Powder</td>
<td>4,500</td>
<td>1,700</td>
<td>3,625</td>
<td>15,925</td>
</tr>
<tr>
<td>Industrial Cheese</td>
<td>6,250</td>
<td>6,000</td>
<td>3,198</td>
<td>13,333</td>
</tr>
<tr>
<td>Cheese all types</td>
<td>6,250</td>
<td>16,600</td>
<td>3,625</td>
<td>19,612</td>
</tr>
<tr>
<td>Yogurt and Buttermilk</td>
<td>4,135</td>
<td>6,000</td>
<td>332</td>
<td>10,467</td>
</tr>
<tr>
<td>Whey Powder</td>
<td>4,135</td>
<td>6,000</td>
<td>3,198</td>
<td>13,333</td>
</tr>
<tr>
<td>Concentrated Milk</td>
<td>1,380</td>
<td>2,000</td>
<td>12</td>
<td>3,392</td>
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<tr>
<td>Milk Powders</td>
<td>690</td>
<td>1,051</td>
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<td>1,741</td>
</tr>
<tr>
<td>Powdered Buttermilk</td>
<td>520</td>
<td>828</td>
<td>908</td>
<td>2,256</td>
</tr>
<tr>
<td>Products of Natural Milk Constituents</td>
<td>2,760</td>
<td>4,000</td>
<td>4,345</td>
<td>11,105</td>
</tr>
<tr>
<td>Ice Cream and Ice Cream Mixes</td>
<td>690</td>
<td>1,051</td>
<td>347</td>
<td>2,088</td>
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<tr>
<td>Other Dairy</td>
<td>690</td>
<td>1,051</td>
<td></td>
<td>1,741</td>
</tr>
<tr>
<td>Butter</td>
<td>4,500</td>
<td>1,964</td>
<td>6,464</td>
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</tr>
<tr>
<td>Cream Powder</td>
<td>105</td>
<td></td>
<td>105</td>
<td></td>
</tr>
<tr>
<td>Mozzarella Cheese</td>
<td>2,900</td>
<td></td>
<td>2,900</td>
<td></td>
</tr>
</tbody>
</table>
### Poultry and Egg Access (assuming Year 6 Implementation)

<table>
<thead>
<tr>
<th>Category</th>
<th>USMCA</th>
<th>CPTPP</th>
<th>WTO-Global</th>
<th>Total Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken (MT)</td>
<td>57,000</td>
<td>23,500</td>
<td>39,900</td>
<td>120,400</td>
</tr>
<tr>
<td>Turkey (MT)</td>
<td>3.5% production+ up to 1000</td>
<td>3,500</td>
<td>5,588</td>
<td></td>
</tr>
<tr>
<td>Eggs (Egg Equiv)</td>
<td>120,000,000</td>
<td>200,400,000</td>
<td>21,370,000</td>
<td>341,770,000</td>
</tr>
<tr>
<td>Hatching Eggs + chicks (Egg Equiv)</td>
<td>12,000,000</td>
<td>161,530,159</td>
<td>173,530,159</td>
<td></td>
</tr>
</tbody>
</table>