

Committed to ensuring that strong Canadian farms will continue to be able to provide safe, secure and healthy food for families in Canada, and around the world.

**Canada-European Union Comprehensive Economic and Trade Agreement (CETA)
and the Effects of it on the Canadian Agriculture Sector**



**Presentation to the
House of Commons
Standing Committee on
Agriculture and Agri-Food**

**Keith Kuhl
President
December 10, 2013**

**Canadian Horticultural Council
9 Corvus Court
Ottawa, ON K2E 7Z4**

**CANADA - EUROPEAN UNION
COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)**

**Presentation to the House of Commons
Standing Committee on Agriculture and Agri-Food**

Mr. Keith Kuhl, President
Ms. Anne Fowlie, Executive Vice-President

Mr. Chairman and Committee members, thank you for the opportunity to appear before the Committee to speak to the CANADA - EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT and aspects of trade negotiation in general which are of importance to Canada's horticultural sector.

ABOUT US: THE CANADIAN HORTICULTURAL COUNCIL (CHC)

The Canadian Horticultural Council (CHC) represents producers across Canada primarily involved in the production and packing of over 100 fruit and vegetable crops. Members include provincial and national horticultural commodity organizations as well as allied and service organizations, provincial governments and individual producers.

The CHC represents members on key issues such as crop protection, access to a consistent supply of farm labour, food safety and traceability, fair access to markets, research and innovation and government programs to ensure a more innovative, profitable and sustainable horticultural industry for future generations.

The CHC and its members are committed to ensuring that strong Canadian farms will continue to be able to provide safe, secure and healthy food for families in Canada, and around the world.

The Horticultural Sector

With a primary production value of over \$5 billion and after-packing or processing value of \$10 billion, horticulture is one of Canada's largest agricultural production sectors. The sector accounts for an annual export value of \$3.2 billion a year and a number of Canada's horticultural crops may be found around the world.

The Canadian fruit industry saw steady growth in 2012 due mostly to strong increases in the value of blueberries, cranberries and grapes. Total Canadian fruit farm cash receipts are valued at \$849 million, the highest they have been in the last 5 years. Canada currently imports over 6.5 times more fruit than it exports. Blueberries, cranberries, cherries and apples form over 90% of total fresh fruit exports with blueberries comprising alone close to 66% of the total. 64% of fresh fruit exports are currently destined to the USA and slightly above 16% of the total to EU member states (See Table 1 below). At present, Canada imports very little fresh fruit from the EU.

Total Canadian vegetable exports (field vegetables, greenhouse vegetables and mushrooms) in 2012 amounted to \$1.05 billion, 98% of which were exported to the USA (See Table 2 below).

Canada imported \$2.28 billion worth of vegetables in 2012, with close to 90% worth of product coming from the USA and Mexico. By comparison, in 2012 EU member states imported \$15.2 billion of vegetables representing 35.2% of worldwide vegetable imports and they exported \$16.3 billion, or 40% of worldwide vegetable exports. Despite these impressive figures, EU member states currently represent less than 0.3% of Canadian vegetable exports (See Tables 2 and 3 below) and roughly 1.1% of Canadian vegetable imports.

The horticultural sector has been an engine for economic growth and can be a foundation for continuing job growth. It is a growing industry and the overall economic contribution of horticultural production in Canada has doubled in the last 25 years. Horticulture is a vital contributor to the health and wellness of Canadians. Consuming fruit and vegetable products as part of one's daily diet has been proven to be an essential part of an overall healthcare solution. Fruits and vegetables have natural attributes that have been shown to help prevent disease, including phytochemicals, fibre, vitamins, and other required nutrients. The horticulture sector is a contributor to Canada's food security, the health of Canadians, and is well positioned to share these attributes with consumers beyond our borders.

CETA AND THE CANADIAN HORTICULTURAL SECTOR

Market Potential

We fully support the intents and directions of the CETA Agreement in Principle. The CHC has long been committed to undertaking all necessary efforts to exempt Canadian horticultural products from tariffs or obtain duty free entry to the European Economic Community. The EU, with its 28 member states, and as the world's largest importing market for goods representing total annual imports in excess of Canada's current total annual GDP, is certainly a market that has the potential to benefit Canadian horticultural producers once the agreement is implemented.

We believe that strong effort should be directed toward achieving a market oriented horticultural industry. Government's role is fundamentally to facilitate this process, to be a catalyst, and CETA appears to go a long way in accomplishing just that. To this end, the CHC is committed to working with the relevant government agencies to develop and maintain markets, both domestic and international, to ensure the sustainability of these markets, to support the Canada Brand, and to increase the overall consumption of fresh fruits and vegetables.

Ensuring Fair and Equitable Trading Practices

CETA is a comprehensive agreement that will cover virtually all sectors and aspects of Canada-EU trade including both measures that have a direct impact on trade and are felt "at the border", such as tariffs and customs procedures, and those that are felt "behind the border", such as product certification and technical standards. The CHC is dedicated to the promotion of the welfare of our producers and their employees in fair and equitable tariffs and trading conditions for our horticultural products, fresh and processed, on our own and foreign markets.

While recognizing the inherent potential benefits of international trade agreements such as the North American Free Trade Agreement (NAFTA) and now CETA, our objective continues to be automatically triggered emergency mechanisms as a protection against occasional and massive surges of foreign surpluses at distress prices. It is our firm conviction that Canada must establish recognized freedom of action in imposing countervailing tariffs and trading conditions in cases where other countries restrict entry of our produce through prohibition or other non-tariff barriers or who subsidize exports to Canada at values below their domestic prices. The CHC thus fully

supports CETA's intended competition provisions to ensure that the benefits of the Agreement are not offset by anti-competitive business conduct.

Included within CETA should be anti-dumping provisions that would allow Canadian producers of primary products to seek relief from material injury or the threat of material injury, which is or can be caused by the importation into Canada of dumped and/or subsidized manufactured products. In concert with these provisions the CHC also calls upon the federal government to implement a program which provides the framework for financial assistance to producers at the preliminary investigation of such injury, as is the case in the US under NAFTA.

Depressed prices and predatory offerings of imported products are a major constraint to viable increased production of horticultural crops and products in Canada and the CHC believes the federal government ought to ensure greater attention is paid to the monitoring of imports, with quick and effective corrective action taken against violations through legitimate trade instruments and procedures. The CHC urges the federal government to establish a comprehensive system of monitoring prices of imported goods, subsidies and export assistance to industry in foreign countries, in order that fast and appropriate action may be taken against imports in violation of trade agreements such as CETA.

Of particular concern, is the EU use of non-tariff barriers, such as sanitary and phytosanitary (SPS) measures, environmental, and animal welfare standards. While CETA includes provisions for dispute resolution mechanisms and the establishment of committees to resolve trade irritants, it does not otherwise address the biggest non-tariff barrier that Canadian producers face in Europe - domestic subsidy programs which create disparity in competitiveness.

BEYOND TARIFFS

Border Inspection

CETA includes commitments that aim to: simplify and, where possible, automate border procedures; CETA builds on existing rules contained in the WTO Agreement on Technical Barriers to Trade and provides a number of ways to address issues and prevent problems arising from these types of barriers. The CHC supports trade and will work with the relevant government agencies to ease the inspection rules for Canadian grown fruit and vegetables by the EU member states. In concert, the CHC believes that the federal government must assign the appropriate resources necessary, human and financial, to enforce the proper inspection of imports of processed fruit and vegetables with the objective of ensuring that these products meet the standards imposed upon the Canadian industry and that Canadian producers and processors face fair competition.

Food Safety and Traceability

Food safety is imperative in the produce industry and an area where it is essential that all are held to the same standards. It is also important that these measures be truly focused on providing safe food for consumers and not be used as a cover for protectionism. It will be crucial that governments in both Canada and the EU strive for joint recognition of industry-led, food safety programs, which have demonstrated their efficacy to ensure safe food in each country.

Canadian producers have taken food safety and traceability seriously. The successful recognition of CanadaGAP, the on-farm food safety program for Canadian-grown fruit and vegetables, by the Global Food Safety Initiative (GFSI) has been a success story for industry and government and a testament to what can be achieved through government and industry collaboration. Major

Canadian buyers require proof of implementation and certification to a GFSI-recognized program as a condition of sale. We maintain that imported products must be subject to and scrutinized to the same requirements as domestic production. This must be a consideration for all future trade negotiations and agreements.

Crop Protection

CETA is the first bilateral trade agreement in which Canada has included provisions on regulatory cooperation. Under CETA, both Canada and the EU will identify joint cooperative activities and establish an annual high-level dialogue on regulatory matters. Under CETA, Canada and the EU have agreed to build on their shared WTO commitments and long-standing bilateral cooperation. A new Sanitary and Phytosanitary Measures Joint Management Committee will provide a venue for experts to discuss issues before they become major problems. These experts will also determine which Canadian and EU inspection standards and certification systems both parties can accept as being equivalent to their own.

The opportunity as we look ahead is to use free trade agreements like CETA to attain regulatory harmonization around both Maximum Residue Levels (MRLs) and SPS agreements. To facilitate market growth opportunities that CETA will create, governments on both sides must fully utilize the agreement to address the lack of regulatory harmonization, especially as new innovations in agriculture emerge in the context of new technology around detection.

The CHC is committed to working with the Canadian government to make harmonization of agricultural pesticides and growth regulators with the US, the EU, and globally, a reality. CHC is aligned in thought with the global crop protection industry that has serious concerns about the EU's regulatory framework for plant protection products, particularly the European hazard-based approach to pesticide registration. In our view, this has the potential to be a significant non-tariff trade barrier for Canadian agriculture and agri-food products. The approach taken by the EU moves it away from a science-based approach. The EU approach will impact not only trade in pesticides - current and future - but also in food, feed, and seed products using these pesticides. The import tolerance specified by the EU for these products is effectively zero, so even trace amounts could prevent the product from entering the EU. The use of hazard-based cut-off criteria has the potential for negative and far-reaching impacts on global commerce. We believe this approach is not consistent with the World Trade Organization sanitary and phytosanitary agreement, to which the EU is a signatory.

We have concerns about the impact of this action on Canadian farmers. Growers will potentially be prevented from using a large number of safe, effective pesticides that have been assessed by Health Canada. Growers need all the tools they have as well as future innovations to combat pest problems and to feed a growing world population. Europe's actions in this area could have negative impacts on innovation and the introduction of new technologies.

CONCLUSION

We support the development of bilateral and multilateral trade agreements at the government-to-government level. They provide the opportunity to create a more permanent and lasting trade policy framework that levels the playing field with other exporting nations. Stability and predictability are critical to success. Direct government-to-industry engagement at a very early stage is key and greatly enhances opportunity for success. AAFC's Market Access Secretariat (MAS) serves an important role in this regard and we look to the government to commit sufficient resources to ensure the Secretariat's effectiveness.

The CHC is committed to working with the relevant government agencies to develop and maintain markets, both domestic and international, to ensure the sustainability of these markets, to support the Canada Brand, and to increase the overall consumption of fresh fruits and vegetables. We congratulate the Government of Canada on its perseverance and success in concluding the CANADA - EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT.

TABLE 1

Canada's Top 10 Export Destinations - Fruit Products															
Country	2008			2009			2010			2011			2012		
	CAD\$ (millions)	% of Total	Rank												
United States	338.6	70.6%	1	284.9	70.0%	1	265.4	67.0%	1	303.5	59.6%	1	388.3	64.1%	1
Japan	30.6	6.4%	2	20.1	4.9%	3	23.4	5.9%	3	34.6	6.8%	3	39.8	6.6%	2
United Kingdom*	23.4	4.9%	3	13.5	3.3%	4	10.2	2.6%	5	12.4	2.4%	7	10.5	1.7%	10
Germany*	20.6	4.3%	4	27.1	6.7%	2	23.5	5.9%	2	35.5	7.0%	2	36.7	6.1%	3
Netherlands*	17.0	3.5%	5	10.1	2.5%	5	13.5	3.4%	4	25.1	4.9%	4	23.1	3.8%	4
China	10.4	2.2%	6	7.9	1.9%	8	9.8	2.5%	6	15.4	3.0%	5	14.4	2.4%	7
France*	9.2	1.9%	7	8.7	2.1%	7	7.1	1.8%	8	13.4	2.6%	6	12.8	2.1%	8
Belgium*	5.1	1.1%	8	6.0	1.5%	9	5.8	1.5%	9	10.3	2.0%	9	16.0	2.6%	6
Taiwan	3.1	0.6%	9	9.3	2.3%	6	8.5	2.1%	7	11.2	2.2%	8	10.8	1.8%	9
Hong Kong	0.8	0.2%	10	4.1	1.0%	10	5.3	1.3%	10	10.2	2.0%	10	18.2	3.0%	5
Other	21.1	4.4%		15.2	3.7%		23.7	6.0%		38.0	7.5%		35.6	5.9%	
Total	479.9			406.9			396.2			509.6			606.2		

Source: Statistical Overview of the Canadian Fruit Industry 2012, published September 2013, AAFC

* EU member states

TABLE 2

Canada's Top 10 Export Destinations - Vegetable Products															
Country	2008			2009			2010			2011			2012		
	CAD\$ (millions)	% of Total	Rank												
United States	947.6	97.7%	1	948.2	98.4%	1	1037.5	98.2%	1	1032.3	97.7%	1	1028.8	98.2%	1
Japan	6.7	0.7%	2	9.2	1.0%	2	6.3	0.6%	2	8.4	0.8%	2	5.2	0.5%	2
France*	5.1	0.5%	3	0.5	0.1%	3	1.5	0.1%	4	3.0	0.3%	4	1.1	0.1%	5
Spain*	0.2	0.0%	4	0.1	0.0%	7	0.1	0.0%	8	0.1	0.0%	7	1.0	0.1%	6
China	0.1	0.0%	5	0.5	0.1%	4	3.0	0.3%	3	0.8	0.1%	5	1.3	0.1%	4
Italy*	0.1	0.0%	6	0.4	0.0%	5	0.1	0.0%	7	0.1	0.0%	8	0.8	0.1%	7
Brazil	0.1	0.0%	7	0.0	0.0%	9	0.0	0.0%	10	0.0	0.0%	10	0.6	0.1%	9
Venezuela	0.1	0.0%	8	0.3	0.0%	6	0.6	0.1%	6	0.2	0.0%	6	0.6	0.1%	10
Turkey	0.0	0.0%	9	0.0	0.0%	10	0.9	0.1%	5	0.0	0.0%	9	0.7	0.1%	8
Australia	0.0	0.0%	10	0.1	0.0%	8	0.0	0.0%	9	4.6	0.4%	3	1.5	0.1%	3
Other	9.7	1.0%		4.7	0.5%		6.8	0.6%		6.9	0.7%		6.0	0.6%	
Total	969.7			964.0			1056.8			1056.4			1047.6		

Source: Statistical Overview of the Canadian Vegetable Industry 2012, published November 2013, AAFC

* EU member states

TABLE 3

Canada's Top 10 Export Destinations - Potato Products																								
Country	2008-09						2009-10						2010-11						2011-12					
	CAN\$ (millions)				% of Total	Rank	CAN\$ (millions)				% of Total	Rank	CAN\$ (millions)				% of Total	Rank	CAN\$ (millions)				% of Total	Rank
	Fresh	Seed	Processed (1)	Total			Fresh	Seed	Processed (1)	Total			Fresh	Seed	Processed (1)	Total			Fresh	Seed	Processed (1)	Total		
United States	184.3	25.6	873.9	1083.7	82.1%	1	115.6	23.1	772.5	911.2	80.9%	1	141.6	25.9	727.0	894.5	81.2%	1	136.9	29.4	775.5	941.7	83.1%	1
Japan			36.6	36.6	2.8%	3			28.4	28.4	2.5%	3			30.2	30.2	2.7%	3			33.3	33.3	2.9%	2
Mexico		1.8	35.9	37.7	2.9%	2		2.5	39.2	41.8	3.7%	2		2.1	29.3	31.4	2.8%	2		2.2	29.7	31.9	2.8%	3
Philippines			11.7	11.7	0.9%	5			10.4	10.4	0.9%	5			11.6	11.6	1.1%	4			16.1	16.1	1.4%	4
Costa Rica			11.9	11.9	0.9%	4			10.8	10.8	1.0%	4			6.3	6.3	0.6%	5			9.7	9.7	0.9%	5
Thailand	3.3	0.4		3.8	0.3%	7	5.1	0.6		5.7	0.5%	6	4.4	0.7		5.1	0.5%	7	6.8	1.2		8.0	0.7%	6
Indonesia	1.1			1.1	0.1%	10	2.4			2.4	0.2%	8	5.4			5.4	0.5%	6	5.1			5.1	0.4%	7
Venezuela		5.5		5.5	0.4%	6		5.6		5.6	0.5%	7		1.7		1.7	0.2%	8		2.8		2.8	0.2%	8
Dominican Republic	1.1			1.1	0.1%	8	1.2			1.2	0.1%	10	1.6			1.6	0.1%	9	1.5			1.5	0.1%	9
Uruguay		1.1		1.1	0.1%	9		1.8		1.8	0.2%	9		1.3		1.3	0.1%	10		1.0		1.0	0.1%	10
Other	5.1	4.9	116.1	126.1	9.6%		5.8	5.0	96.1	106.8	9.5%		26.5	7.0	79.1	112.7	10.2%		1.5	1.9	79.1	82.5	7.3%	
Total	195.0	39.3	1086.0	1320.3			130.1	38.6	957.4	1126.2			179.5	38.8	883.6	1101.9			151.8	38.5	943.5	1133.8		

Source: 2011-2012 Potato Market Information Review, AAFC June 2013

(1) Includes Frozen