WE ARE DAIRY FARMERS

TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPP)

PRESENTATION TO THE HOUSE OF COMMONS STANDING COMMITTEE ON INTERNATIONAL TRADE

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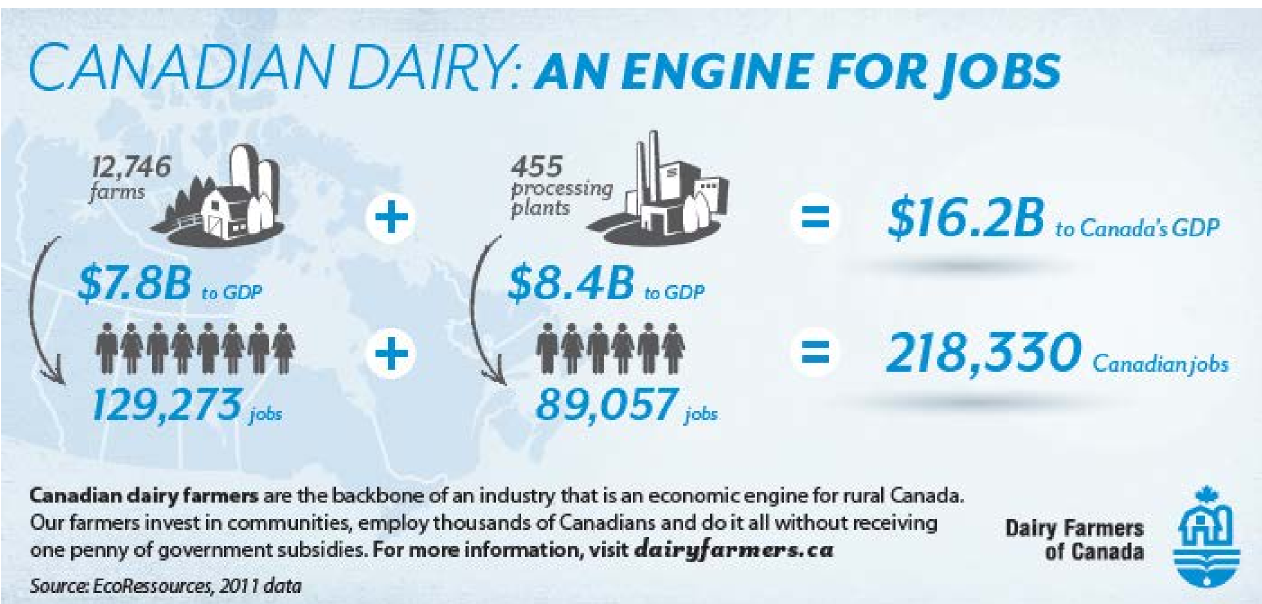
DAIRY FARMERS OF CANADA (DFC)

Run by farmers, for farmers, DFC is the voice of Canadian dairy farmers. DFC is the national lobby, policy and promotion organization representing Canada's farmers living on 12,746 dairy farms. DFC strives to create stable conditions for the Canadian dairy industry, today and in the future. It works to maintain policies that foster the viability of Canadian dairy farmers and promote dairy products and their health benefits.

CANADIAN DAIRY SNAPSHOT

- In 7/10 Canadian provinces, dairy is one of the top two agricultural sectors.
- Canadian dairy farms shipped 7.8 billion litres in 2011, up from 7.6 billion litres of milk in 2009.
- The sector's GDP contribution has risen from $15.2B in 2009 to $16.2B in 2011, and jobs grew from 215,104 to 218,330 over the same time.
- The Canadian dairy industry contributes annually more than $3B in local, provincial and federal taxes.
- Canadians spend 11.8% of disposable income on food, one of the lowest in the world; 1.07% is spent on dairy products.

DAIRY SECTOR CONTRIBUTION TO CANADIAN ECONOMY



CANADIAN DAIRY SUPPLY MANAGEMENT

Canada's supply management dairy policy rests on three pillars: production management, predictable imports and pricing mechanism. The predictable imports pillar depends on the government's international rights to maintain and enforce tariffs on imported goods. In other words, the Canadian government has negotiated a minimum level of access for various dairy products as part of the trade agreements. Canada therefore has the authority to legislate and regulate imports to ensure we respect our international agreements without disrupting the Canadian dairy market.

The aim of the Canadian dairy supply management system is to balance supply and demand, as well as balance market power among the supply chain stakeholders. Despite concentrating our effort on the domestic market, international trade talks are an important aspect when it comes to maintaining the integrity of the Canadian system in the future. Import controls or the ability to predict imports at levels negotiated in international trade agreements are critical considering that dairy farmers discipline their production to ensure domestic demand is met without creating unnecessary surpluses. Between 6-8% of Canada's dairy consumption is supplied by imported products coming in tariff-free which makes Canada more generous than the U.S and EU. Therefore, trade talks, whether at the WTO, at a bilateral level such as CETA, or a plurilateral level such as the TPP, have the potential of affecting our import control measures.

TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPP)

DFC recognizes the importance of trade for a country such as Canada. Consequently, DFC has never opposed Canada engaging in trade talks. As recently pointed out by Minister Fast before this committee, one out of five jobs in Canada depends on trade. This is significant. Likewise, dairy farmers are proud of the dairy sector contribution to the Canadian economy and we like to think of ourselves as 'job sustainers' providing stability in the economy and supporting our rural communities. It should also be noted that the Canadian dairy sector increased its number of Canadian jobs from 2009 -2011; dairy farmers are doing their part of the economic action plan to keep our economy strong and prosperous.

We should not take for granted nor forget the importance of Canada's domestic market and make sure it will continue to be a prosperous marketplace for Canadian farmers. For dairy, essentially 100% of our sales take place on the Canadian market. Exports represent roughly 1% of Canada's milk production and export opportunities are virtually nil, as a result of the negative decision of the late 1990's WTO panel on Canada's export policy. Any market opening therefore, even if it were reciprocal, would come at the expense of Canadian dairy farmers.

Excluding supply management from trade agreements has not stopped Canada from pursuing an ambitious trade agenda. In all trade agreements negotiated by Canada, dairy and other supply managed sectors have been excluded from the application of certain provisions pertaining to market access. These exclusions have not stopped Canada from successfully negotiating trade agreements with the U.S., Mexico, Chile, EFTA, Peru, etc.

DFC SUPPORTS THE GOVERNMENT'S NEGOTIATING POSITION

Canada has negotiated eleven trade agreements with a number of negotiating partners these past 20 years and has always maintained supply management for dairy and poultry. In other words, no concessions have been made with respect to TRQ expansion and over-quota tariff reduction. This is fully in line with the position defended by the Canadian government and which was clearly spelled out in the unanimously adopted House of Commons motion of November 22, 2005. The motion clearly states that Canada will accept no over quota tariff reduction and no TRQ expansion for its supply managed products as part of its balanced negotiating position in any trade discussions.

DFC wants to thank the Canadian government for the strong position it has defended in these negotiations. Furthermore, we would like to express our appreciation for the comments made by the Prime Minister, Ministers Ritz and Fast, as well as their Parliamentary Secretaries, who have consistently reiterated on a number of occasions that they will not make any concessions on supply management and will continue to defend our farmers and sectoral interests at the international level. Again this month, Minister Fast made it very clear before this committee that the Canadian government vigorously defends and promotes Canadians interests including supply management. DFC appreciates the continued support from all parliamentarians for a system that is working well for Canada.

GOING FORWARD

DFC recognizes the government is firmly committed to supply management when it comes to defending our Canadian interests during trade negotiations. The TPP talks aim at negotiating a rather ambitious and comprehensive agreement. However, the comprehensiveness of these talks is questionable since domestic support in agriculture can't be found on the negotiating agenda. Failing to discipline the use of domestic subsidies clearly goes against the principles of no a priori exemptions. Therefore, we can question the comprehensiveness of a future agreement if it fails to discipline the use of domestic subsidies. Understanding that the U.S. dairy industry is significantly subsidized by the U.S. treasury, DFC is vehemently opposed to conceding to any additional access or any over quota tariff reductions to the U.S. or to any other TPP partners. To do so would severely undermine the Canadian dairy supply management system and result in significant losses for Canadian dairy farmers.

DFC trusts the Canadian government will hold to its promise to defend the interest of supply management. In fact, we fully expect the other TPP partners to also defend their sensitive sectors and seek exclusions. The U.S. has already made it clear that it has no intention of making any concessions for products such as sugar, a sector that was completely excluded from the U.S.-Australia free trade agreement. Indeed, *Inside US Trade* reported back in 2011 that according to a senior US official, “the U.S. does not seek to alter the market access obligations of existing FTAs.” The official went on to say, “We are not planning to reopen existing FTAs”. The U.S. is also facing huge pressure from its dairy industry not to make any concessions to New Zealand.

There are numerous examples of sensitive sectors/policies which have been exempted from trade agreements.

Japan has negotiated full exclusion (no additional access and no tariff reduction) for certain goods in the trade agreements it has negotiated: certain cattle and swine products, many fish, most dairy products and some grains, including rice.

In the original P4 Agreement, the agreement on which the current TPP negotiations are building on, New Zealand successfully excluded from the application of its own trade Act, the pharmaceutical grants by PHARMAC and certain export arrangements, the export state enterprise controlling the sales of kiwi fruits, and Fonterra which controls over 90% of the milk supply in New Zealand.

The U.S. has excluded the “Merchant Marine Act of 1920” from all of its trade agreements. This act is a United States federal statute that regulates maritime commerce in U.S. waters and between U.S. ports. Section 27, better known as the Jones Act, deals with cabotage (i.e., coastal shipping) and requires that all goods transported by water between U.S. ports be carried in U.S.-flag ships, constructed in the United States, owned by U.S. citizens, and crewed by U.S. citizens and U.S. permanent residents.

CONCLUSION

DFC is on record as supporting the Canadian government entering the TPP trade talks as a part of the government’s trade agenda that is based on the balanced trade negotiating position. For dairy farmers this means that the government will continue to defend supply management both domestically and internationally, in line with the June 3rd, 2011 Throne Speech and the November 2005 House of Commons motion. Consequently Canada must not give any concessions in the TPP or any other trade negotiation that would in any way undermine the credibility of the Canadian negotiating position at the international level with respect to Canada’s right to maintain supply management.