WTO Commitments and Support to Agriculture: Experience from Canada

Lars Brink

Workshop on Support to Russian Agriculture in the Context of WTO Membership: Issues and Possible Solutions
Food and Agriculture Organization of the United Nations (FAO)
Ministry of Agriculture of the Russian Federation
20-21 November 2013, Belgorod, Russia

Lars.Brink@hotmail.com
Basic data

- Arable land
  - Canada 43 million ha, Ukraine 32, Russia 121
- Grains, oilseeds: west, mostly north of 49\textsuperscript{th} parallel
- Dairy, beef, hogs: centre, closer to population centres
Context for agricultural policy in Canada

– Federal state: 10 provinces, 3 territories
  • Many policy powers rest with provincial governments
  • Provinces have specific jurisdictions
  • Canada ("fed") has specific jurisdictions
  • Agriculture is one of only two shared jurisdictions

– Usual tools of agricultural policy
  • Marketing regulations
  • Income support and stabilization payments
  • “General services”
    – Research, food safety, pest control, infrastructure, environment, etc.
Policy evolution

- **1950s-60s: Stabilization payments and crop insurance**
  - Price-based stabilization payments; mostly milk and poultry
  - 1959: Subsidized crop insurance for shortfalls in yield

- **1960s-70s: Increasing cost of payments for milk**
  - Led to dairy “supply management”; later poultry and eggs
    - Prices for two dairy products set by agency under Minister of Agric.
    - Control on imports: tariffs and TRQ*; limits on farm production

- **1980s-90s: Stabilize and support farm incomes**
  - Succession of payment programs
  - Cost of program often shared: federal, provinces, producers

* Tariff rate quotas
PSE 1986-2012

Note: PSE = Producer Support Estimate of the OECD
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PSE and %PSE, 1986-2012

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Historical issue: grain transportation

- 1897 cap on rail freight rates from western Canada
  - Low freight rates and later freight subsidy raised price of grain
    - Effect: less livestock production, less processing industry

- Elimination of freight subsidy in 1995
  - Government faced big long-term debt problem
  - Coincidental with start of WTO
  - Effect of subsidy elimination: lower grain prices, lower land values
  - One-time large 1995 payment to land-owners

- Payment carefully designed to fit criteria for “decoupled income support” in WTO green box: para. 6
Historical issue: grain marketing

– Early 1900s: periodic government role in grain marketing in western Canada

– Mandatory from 1943: sell through Canadian Wheat Board
  – Single buyer and single exporter of wheat, barley, oats
  – Pro or con for farmers: divided evidence; evolving opinions
  – Scrutinized in WTO dispute and Doha as state-trading enterprise
    » Not WTO Agreement on Agriculture

– 2012: “Monopoly powers” removed
  – Farmers choose among several companies when selling grain

– Expect no need to notify to WTO as state-trading enterprise
Vulnerability to US trade action

– Integrated US-Canada markets for livestock and meat
  • Much Cdn production exported to the US: hogs, pork, cattle
  • US trend from 1984 to protect against “subsidized” imports
  • Impose Countervailing Duties CVD: similar to an import tariff
    – US law and WTO Agreement on Subsidies and Countervailing Measures
  » Not WTO Agreement on Agriculture

– Canadian goal to avoid threat of US CVD
  • CVD targets “specific” subsidies, e.g., specific to a commodity

– Shift to “whole-farm” income policy in Canada
  • Stabilization and support payments based on whole-farm income

– Major principle for policy development from 1990s
Policy principles

– Principles in 1991 Farm Income Protection Act
  – Indefinite duration

• Not unduly influence production and marketing decisions

• Equitable across regions

• Encourage social, environmental and economic sustainability

• Compatible with international obligations
WTO Total AMS commitment

– Bound Total AMS $4.3 billion by year 2000
  – Base years 1986-88
    » No blue box payments; green box support is not in Total AMS

• **Product-specific** AMSs contributed 80% of 1986-88 Total AMS
  – Many fed, fed-prov and provincial payments; market price support
    » 13 products: product-specific AMSs were larger than *de minimis*
    » 9 products: product-specific AMSs were *de minimis*, not in base

• **Non-product-specific** AMS was 20% of 1986-88 Total AMS
  – Crop insurance, credit concessions, provincial payments
    » Was 5.2% of sector’s value of production: larger than *de minimis*

*Note: AMS = Aggregate Measurement of Support*
Policy evolution from 1995

– Much free room within Bound Total AMS
  – Less pressure to make policies WTO green
– Lower prices - grains, oilseeds, hogs - in late 1990s
  – Motivated reversal of earlier cutbacks in payments
– Drought in 2002
  – Large crop insurance indemnities: large element in NPS AMS
    » Later switch to government share of premiums
– BSE* in beef in 2003
  – Increased green box payments and AMS payments
    » Green decoupled income support and green income insurance
    » NPS AMS (whole-farm) and beef PS AMS

* Mad cow disease
2003-08: new 5-year policy framework

- **FPT** federal-provincial-territorial
  - Federal government, 10 Provinces, three Territories
  - Cost-sharing: federal 60%, prov & terr 40%

- **Priorities:**
  - Food safety and quality
  - Environmental performance
  - Renewal of farmers’ skills
  - Science and innovation
  - “Business risk management”
Aims for a sector that:

- Is competitive and innovative
- Helps meet Society’s priorities: food safety, env’ment, health
- Is proactive in managing risks
  - Minimize risk incidents
  - Increase producer capacity to manage risk
  - Increase stability of income

Suite of risk management programs

- Addresses whole-farm margin shortfalls of different severity
- Suite includes production insurance (crop insurance)

International trade obligations; risk of CVD

Not to distort inherent competitive advantages
Current Total AMS 1995-2010

- Bound Total AMS
- Current Total AMS
- Mkt price support

CAD bill.
Green box components: Decoupled (§6) and Income insurance (§7)

CAD mill.

Green: Decoupled inc. support para. 6
Green box components:
Decoupled (§6) and Income insurance (§7)
Selected NPS AMS components:
Income policy payments 1995-2010

CAD mill.

- NPS AMS: income policy payments (19 programs; author's selection)
- of which: Crop insurance (and later insurance programs)
Fed/prov/terr agreement and WTO rules

– Provinces are different from each other
  • Spending capacity, commodity specialization, policy vision
  • Provincial-federal negotiations, esp. on risk management programs
    – Supply management is in separate fed/prov/terr agreements

– Agreement accommodates provincial and federal needs
  • Is a public document
  • Agreed 60%/40% cost sharing for fed/prov programs

– Some fed/prov payments must meet criteria for WTO green box
  • Income insurance and income safety-nets: green box para. 7

– Avoid threat of CVD is the most tangible concern for provinces
  • More tangible than concern about WTO Bound Total AMS
  • Ample room within Bound Total AMS, and support is stable or declining
Shared FPT jurisdiction and WTO rules

– Fed/prov/terr agreements require data collection
  • “... ensure that Canada has sufficient and timely information to meet its international obligations (including information required for OECD PSE and WTO notification.)”

– Experience of gathering data for WTO notifications
  • Each provincial government has its own accounting system
    – Canada and provinces cooperate in generating coherent data
  • Constant personal contact: Ottawa and provincial capitals
    – Pay attention to vocabulary for identifying and describing policies
  • Staff turnover can – inadvertently - change understandings
    – Send written rules on how to classify policies and measure support
2013-18: 5-year policy framework

– Some changes in risk management suite; less generous
  • Coordinate with provincial product-specific AMS policy

– More emphasis on
  • Innovation
    – develop and commercialize new products and technologies
  • Competitiveness
    – domestic and global
  • Market development
    – food safety, traceability, branding, promotion

– Potential to meet the criteria for General Services in WTO green box?
What next in Canada’s domestic support?

– Implications of 2012 reform of Canadian Wheat Board
  – Government still guarantees initial payment
  • Expect no implications for WTO domestic support calculation

– Supply management: media interest and policy debate
  – Trade agreements may touch on market access
  – But support is calculated from domestic policy settings
    » MPS* in milk AMS uses support price and eligible production
  • Expect no implications for WTO domestic support calculation

– Trade agreements are being negotiated
  – With EU (CETA) and Trans-Pacific Partnership (TPP)
  • Domestic support rules not part of regional trade agreements

* Market price support
Thank you for your attention!

Спасибо!

Lars.Brink@hotmail.com