

# WTO Commitments and Support to Agriculture: Experience from Canada

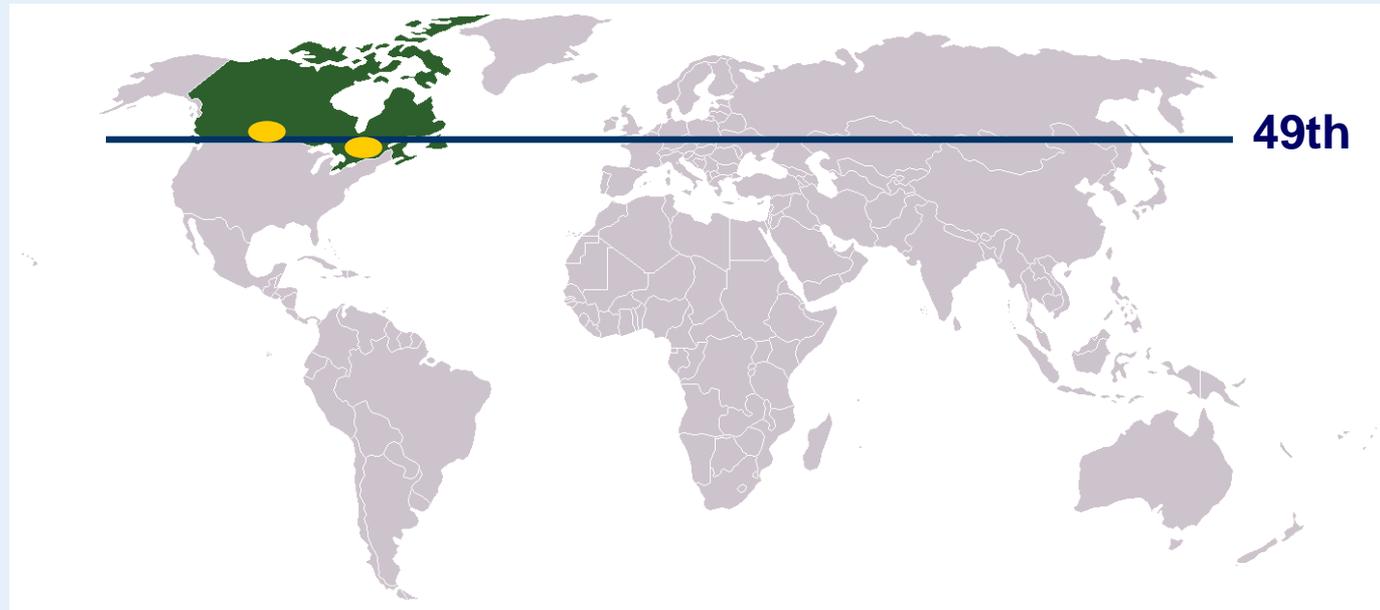
Lars Brink

Regional training workshop for CIS countries “*WTO Accession and Agricultural Policy*”  
Food and Agriculture Organization (FAO)  
Kiev, Ukraine, 12-13 November 2013

*Lars.Brink@hotmail.com*

# Basic data

- Arable land
  - Canada 43 million ha, Ukraine 32, Russia 121
- Grains, oilseeds: west, mostly north of 49<sup>th</sup> 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

# PSE 1986-2012

CAD billion

10

9

8

7

6

5

4

3

2

1

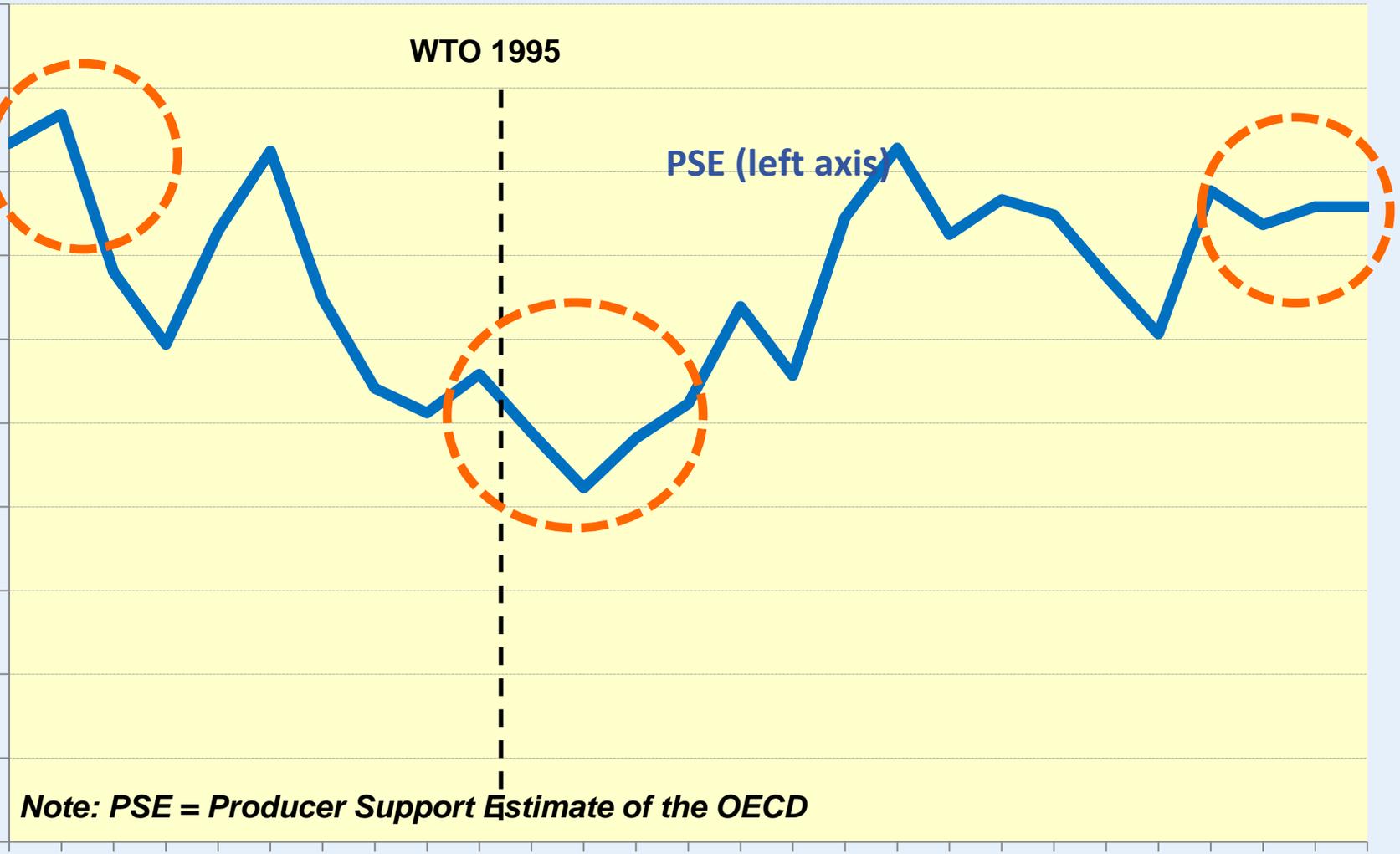
0

WTO 1995

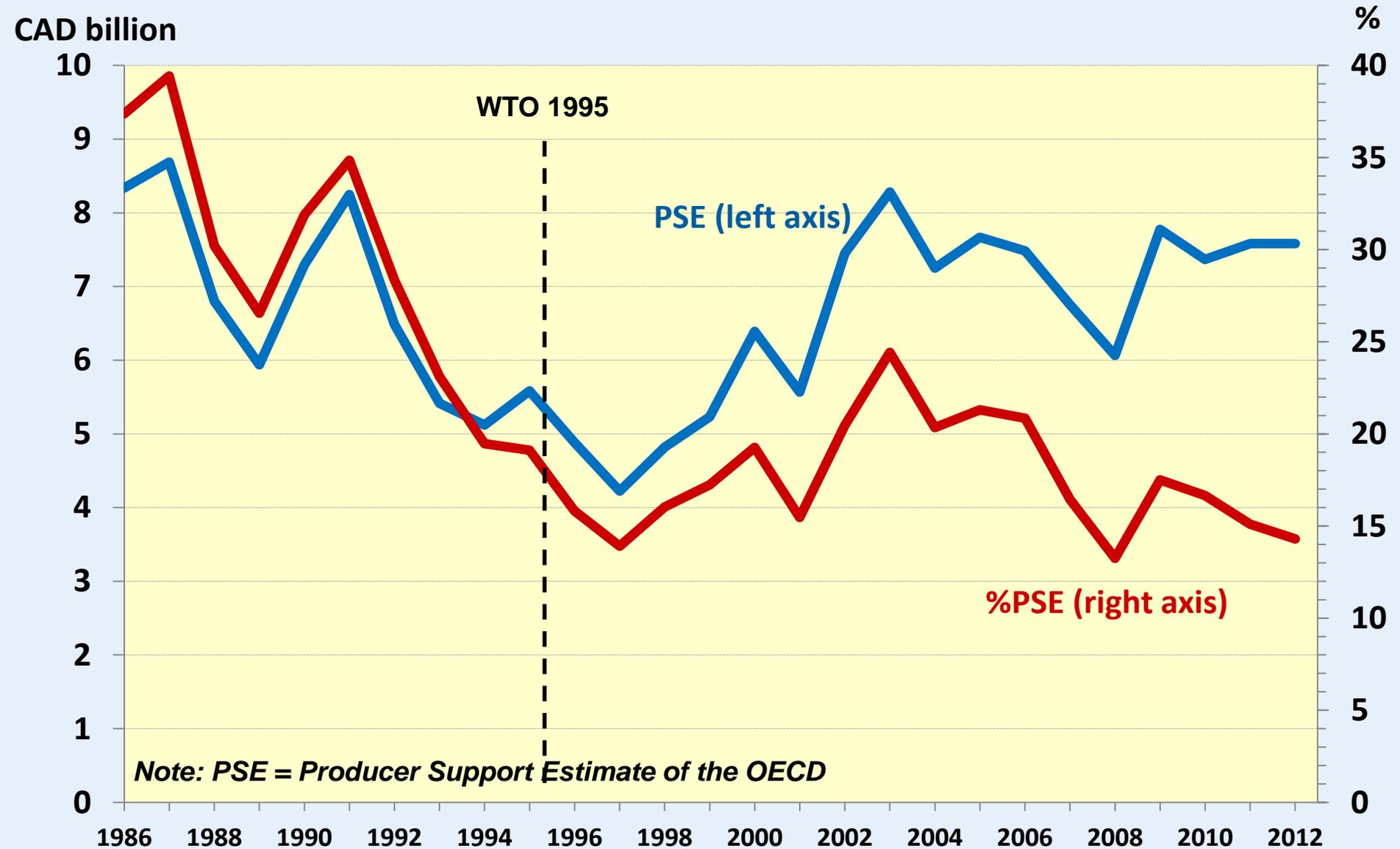
PSE (left axis)

*Note: PSE = Producer Support Estimate of the OECD*

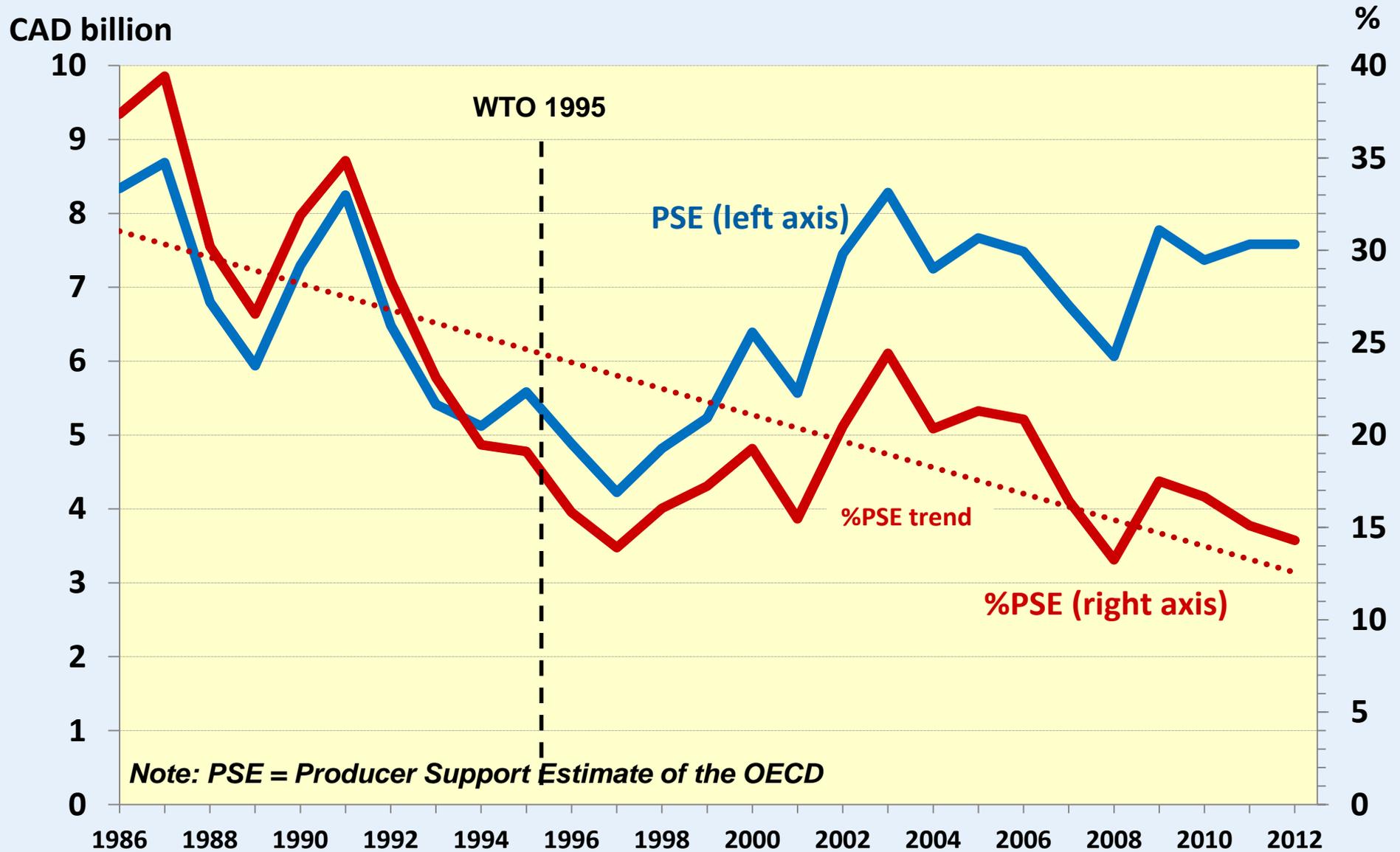
1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012



# PSE and %PSE, 1986-2012



# PSE and %PSE, 1986-2012



# 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*

# 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

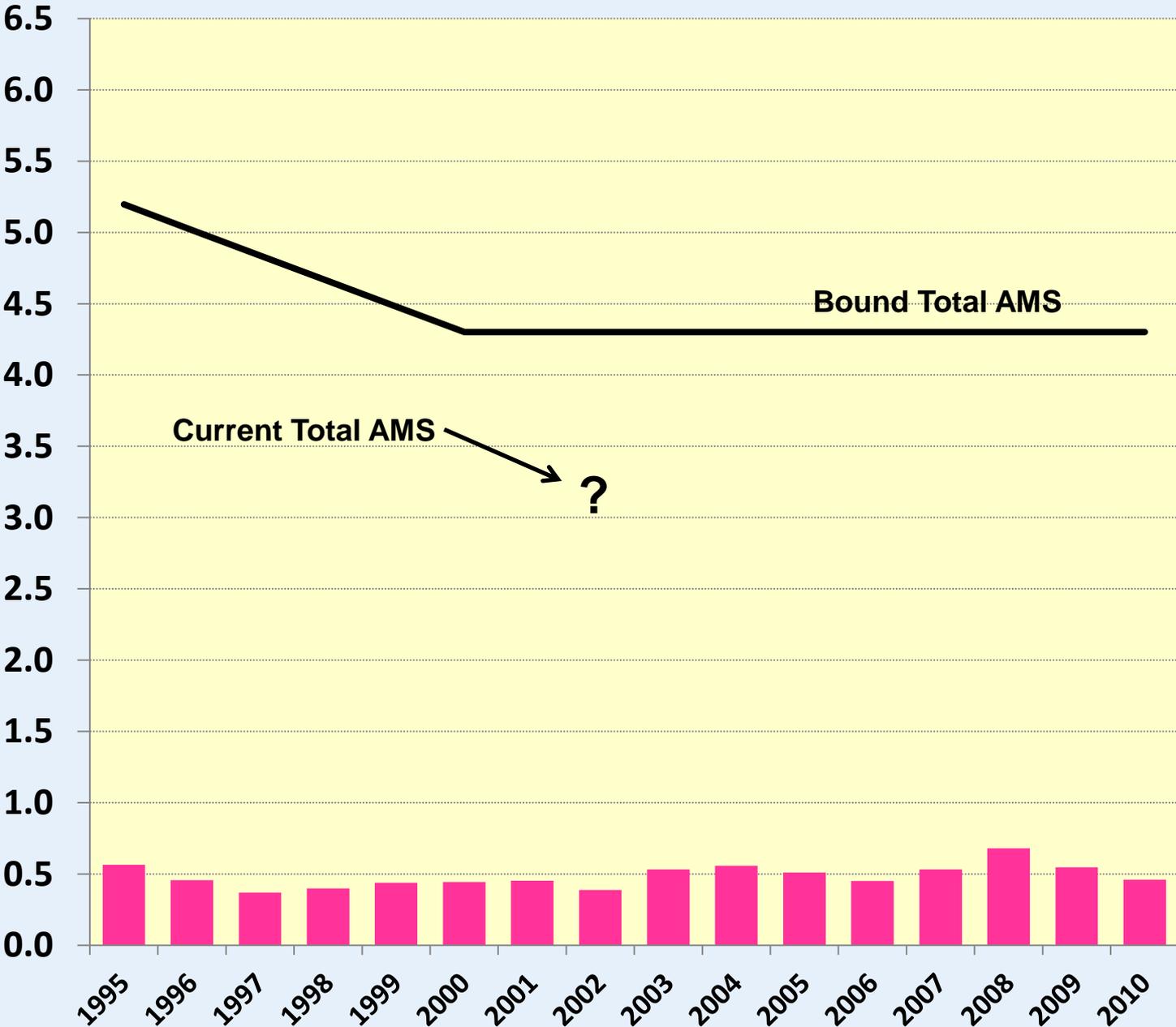
- **FPT** federal-provincial-territorial
  - Federal government, 10 Provinces, three Territories
  - Cost-sharing: federal 60%, prov & terr 40%
  
- **Priorities:**
  - Food safety and quality
  - Environmental performance
  - Renewal of farmers' skills
  - Science and innovation
  - “Business risk management”

# 2008-13: 5-year policy framework

- 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

CAD bill.

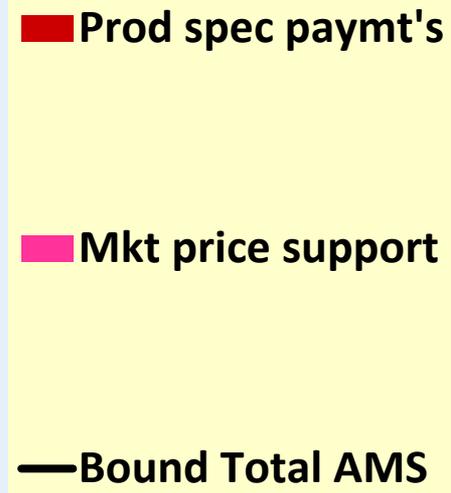
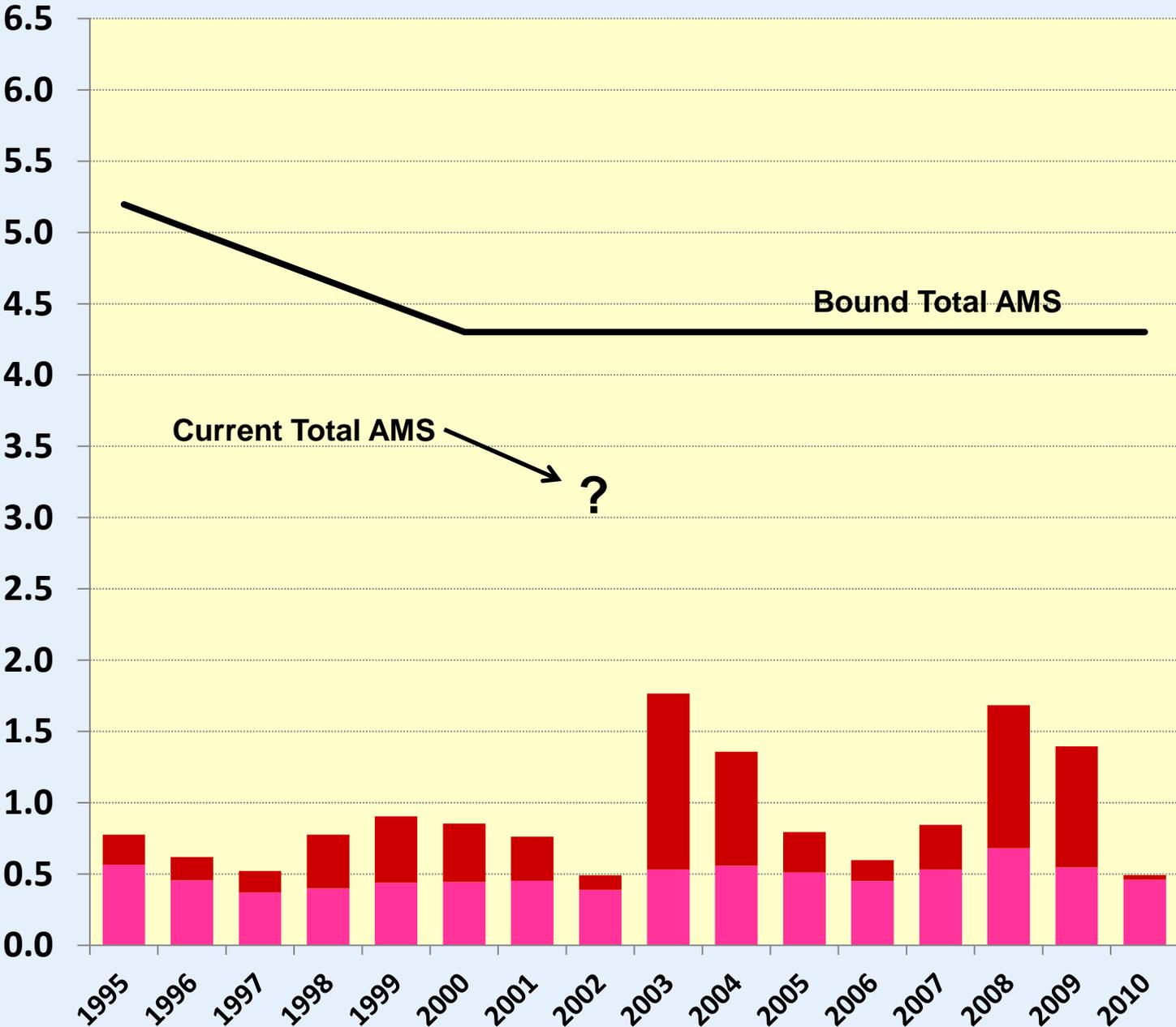


 Mkt price support

 Bound Total AMS

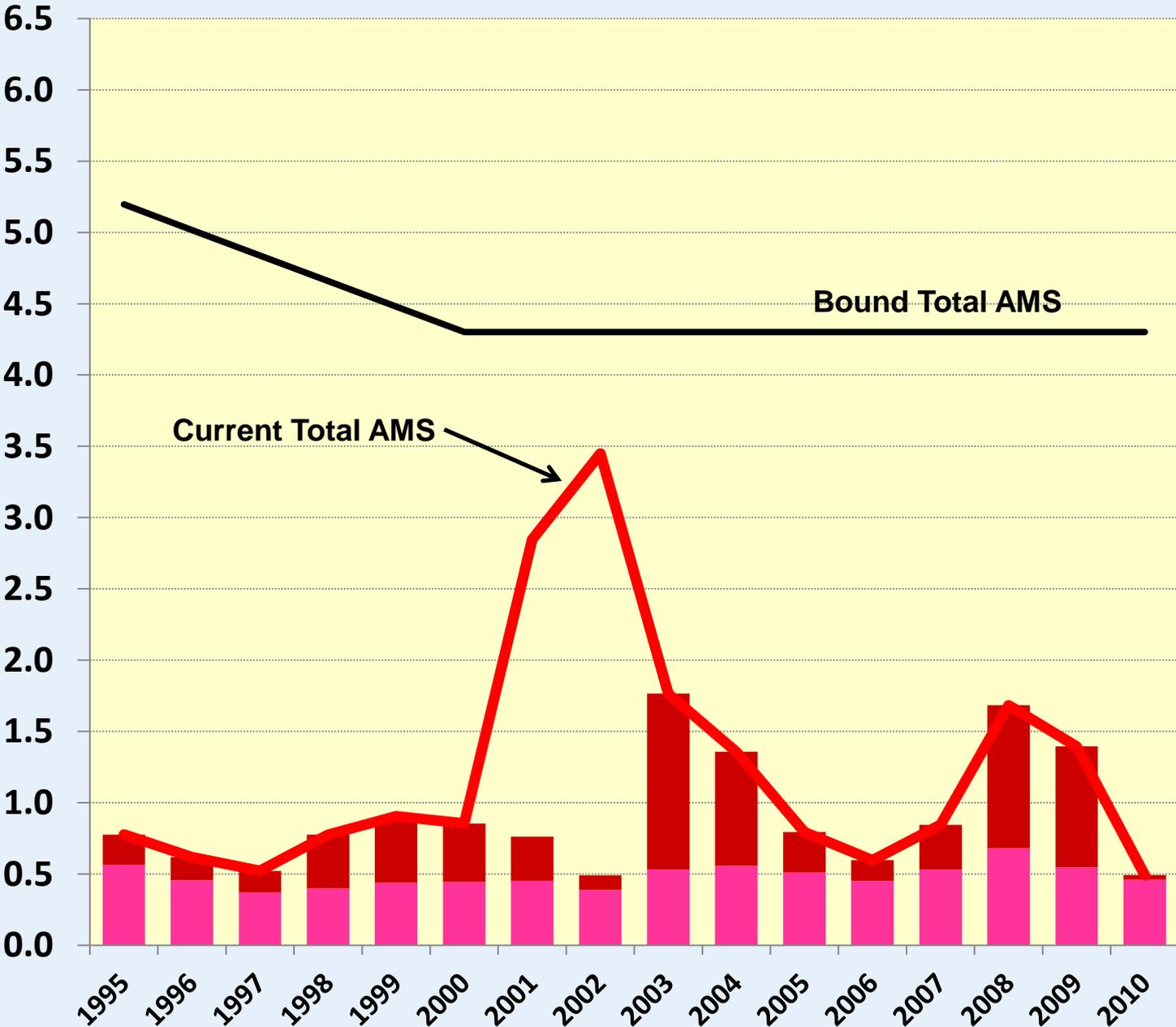
# Current Total AMS 1995-2010

CAD bill.



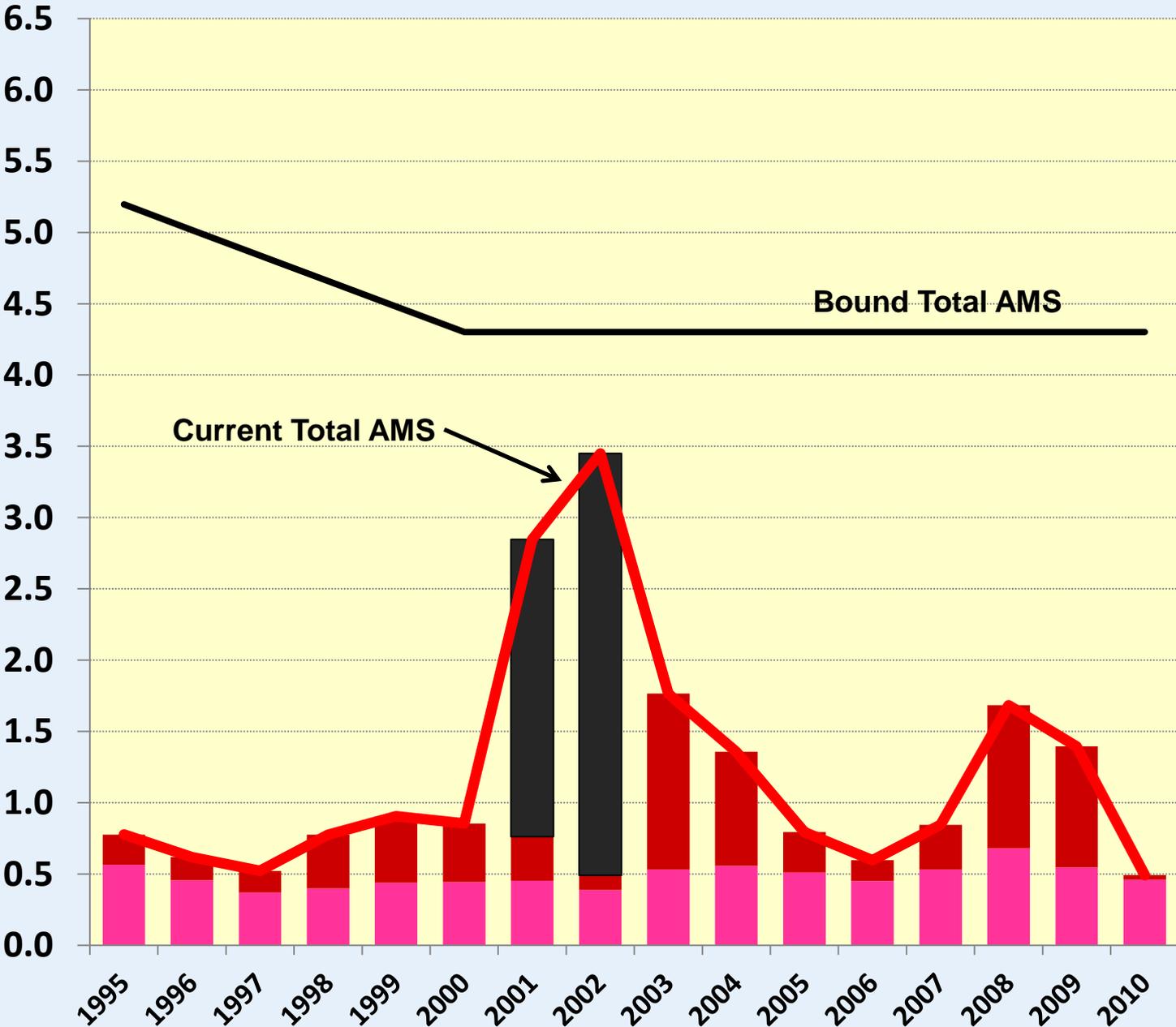
# Current Total AMS 1995-2010

CAD bill.



# Current Total AMS 1995-2010

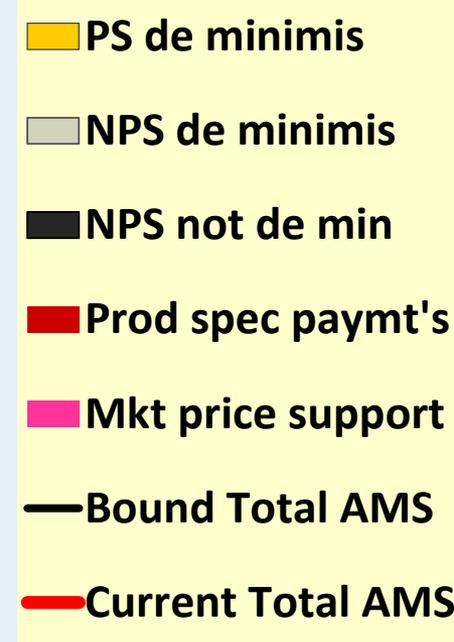
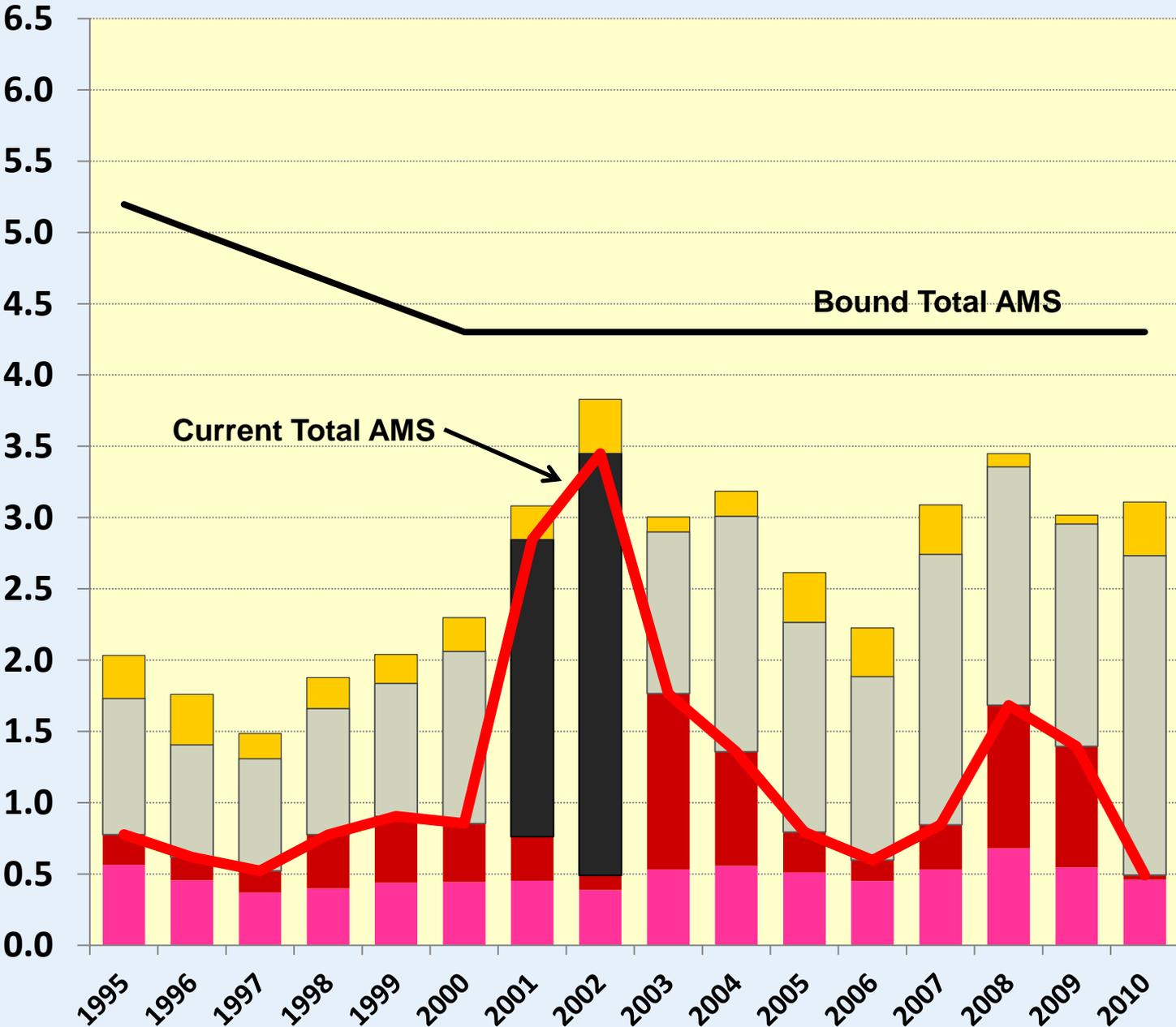
CAD bill.



- NPS not de min
- Prod spec paymt's
- Mkt price support
- Bound Total AMS
- Current Total AMS

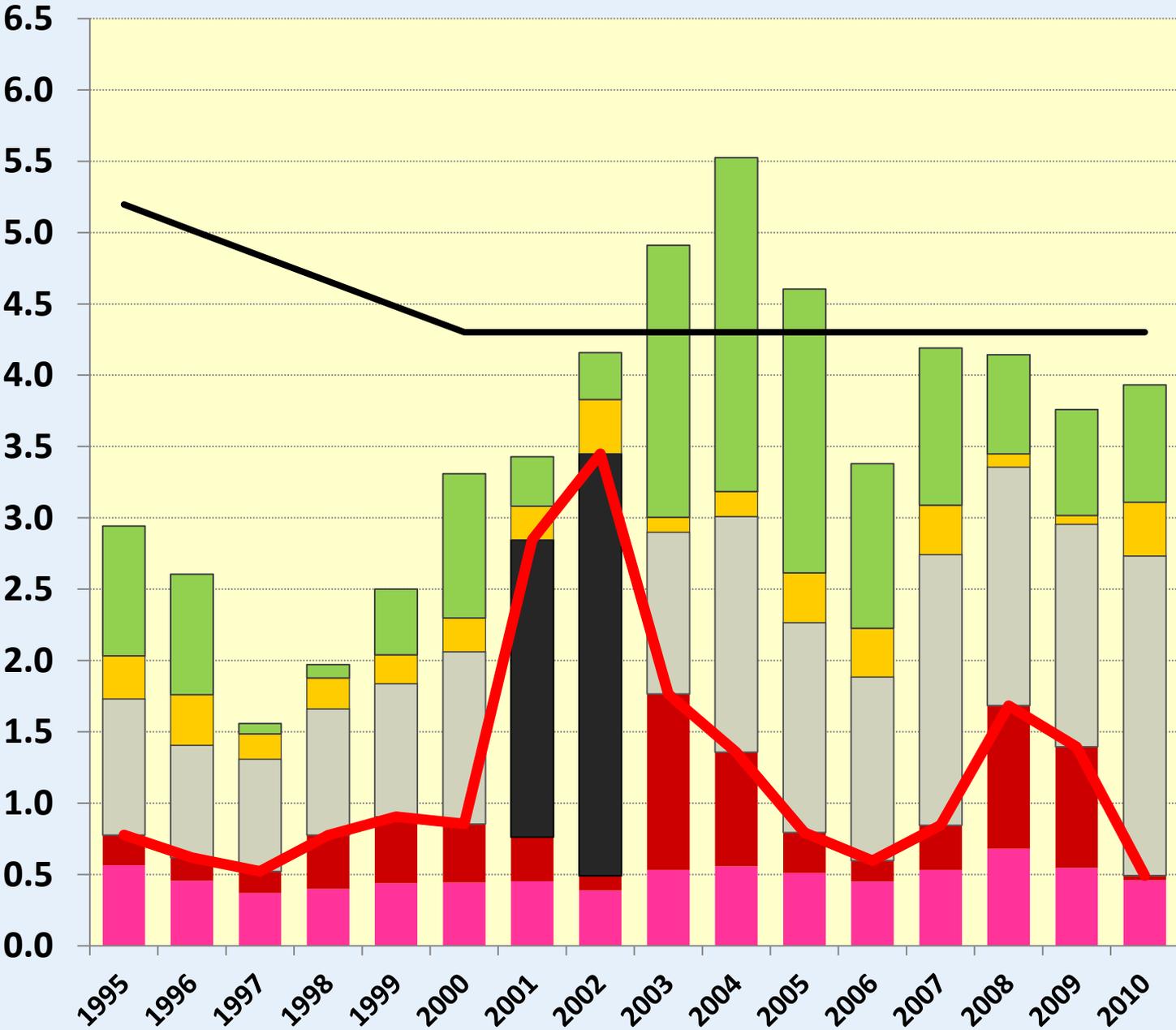
# Current Total AMS 1995-2010

CAD bill.



# Current Total AMS and Green Box 1995-2010

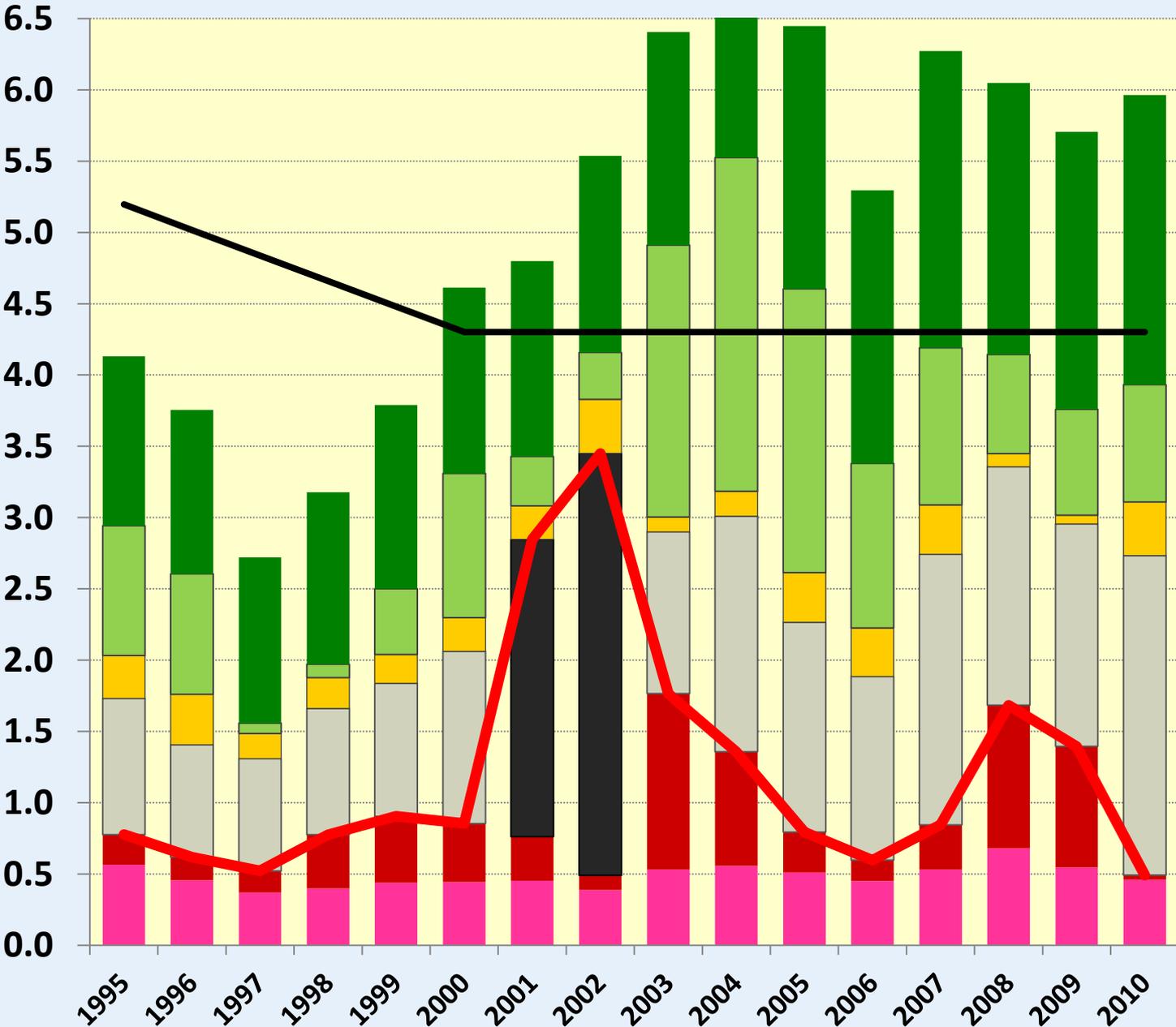
CAD bill.



- Green payments
- PS de minimis
- NPS de minimis
- NPS not de min
- Prod spec paymt's
- Mkt price support
- Bound Total AMS
- Current Total AMS

# Current Total AMS and Green Box 1995-2010

CAD bill.

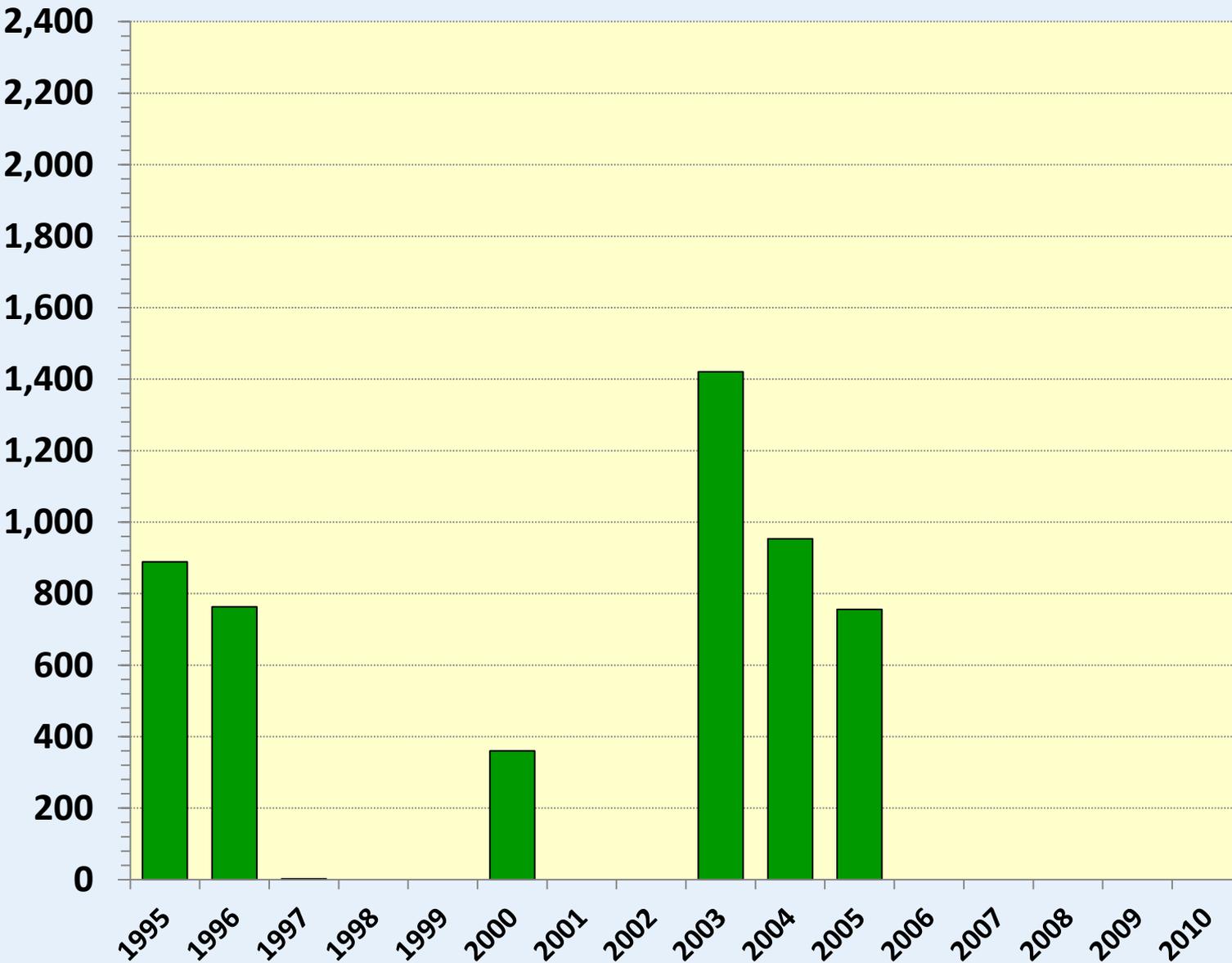


- Green gen serv.
- Green payments
- PS de minimis
- NPS de minimis
- NPS not de min
- Prod spec paymt's
- Mkt price support
- Bound Total AMS
- Current Total AMS

# Green box components:

## Decoupled (§6) and Income insurance (§7)

CAD mill.

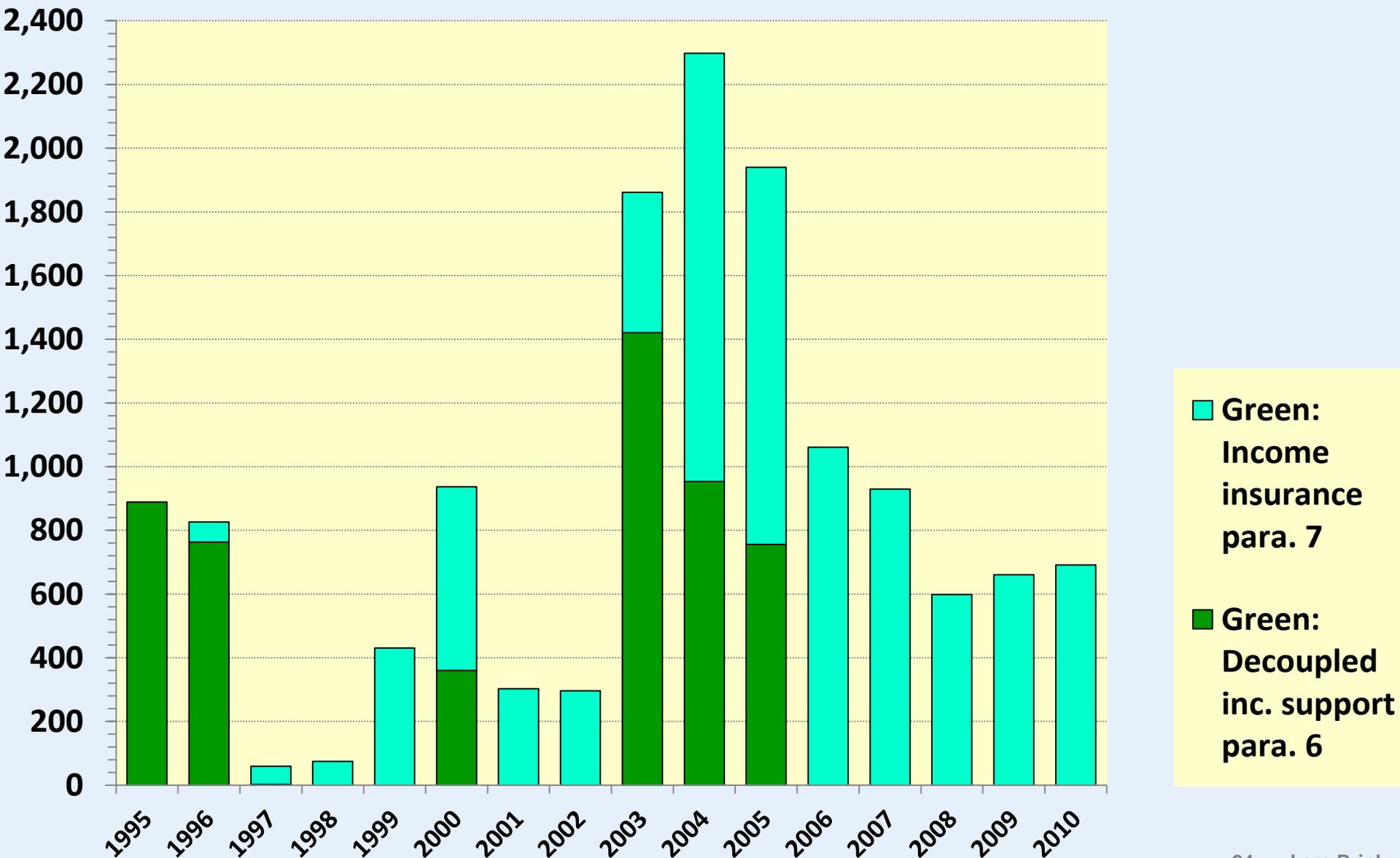


■ Green:  
Decoupled  
inc. support  
para. 6

# Green box components:

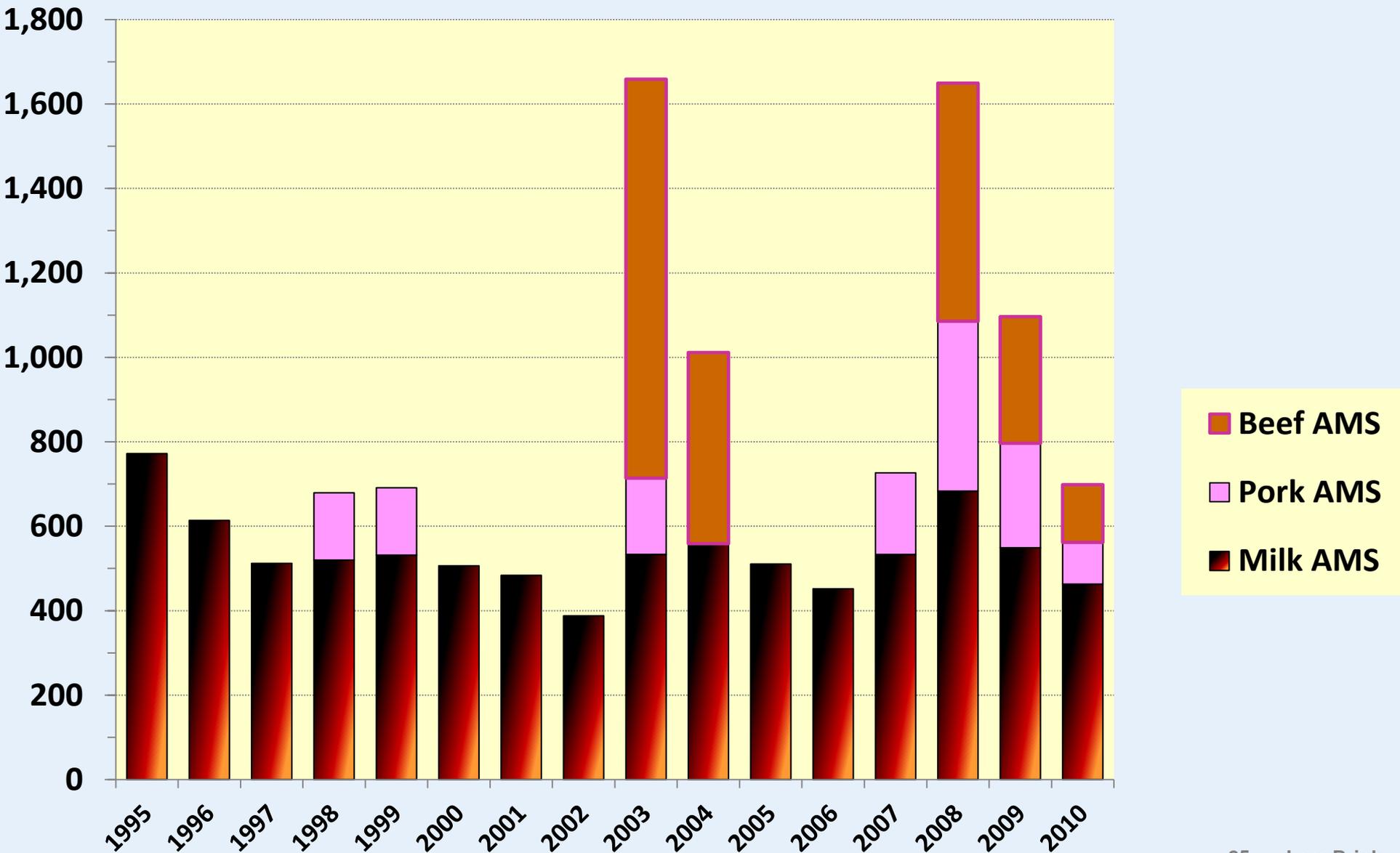
## Decoupled (§6) and Income insurance (§7)

CAD mill.



# Selected product-specific AMs: Beef, pork, milk 1995-2010

CAD mill.



# Selected NPS AMS components: Income policy payments 1995-2010

CAD mill.

2,500

2,000

1,500

1,000

500

0

1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

- 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*

A gravel driveway leads into a dense forest. The path is made of light-colored gravel and curves slightly to the right. The surrounding trees are lush green, and the scene is brightly lit, suggesting a sunny day. The text is overlaid on a white rectangular background in the upper half of the image.

**Thank you for your attention!**

**Спасибо!**

***Lars.Brink@hotmail.com***