

WTO Commitments and Support to Agriculture: Experience from Canada

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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)

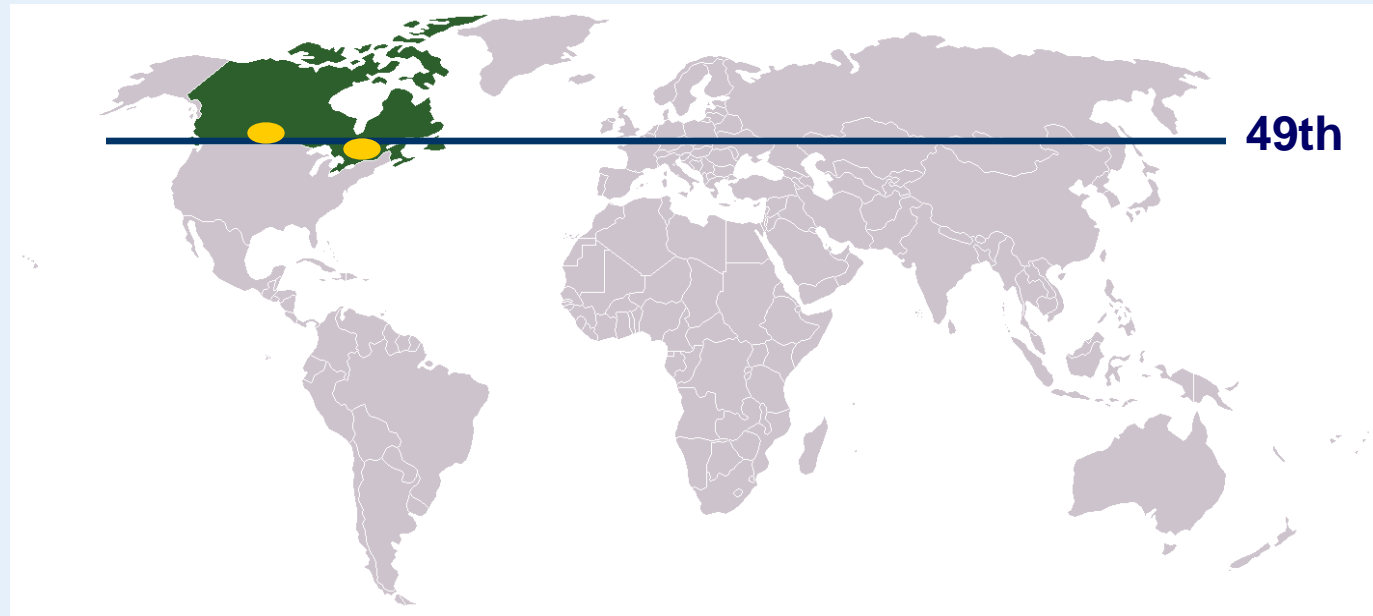
Ministry of Agriculture of the Russian Federation

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Basic data

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

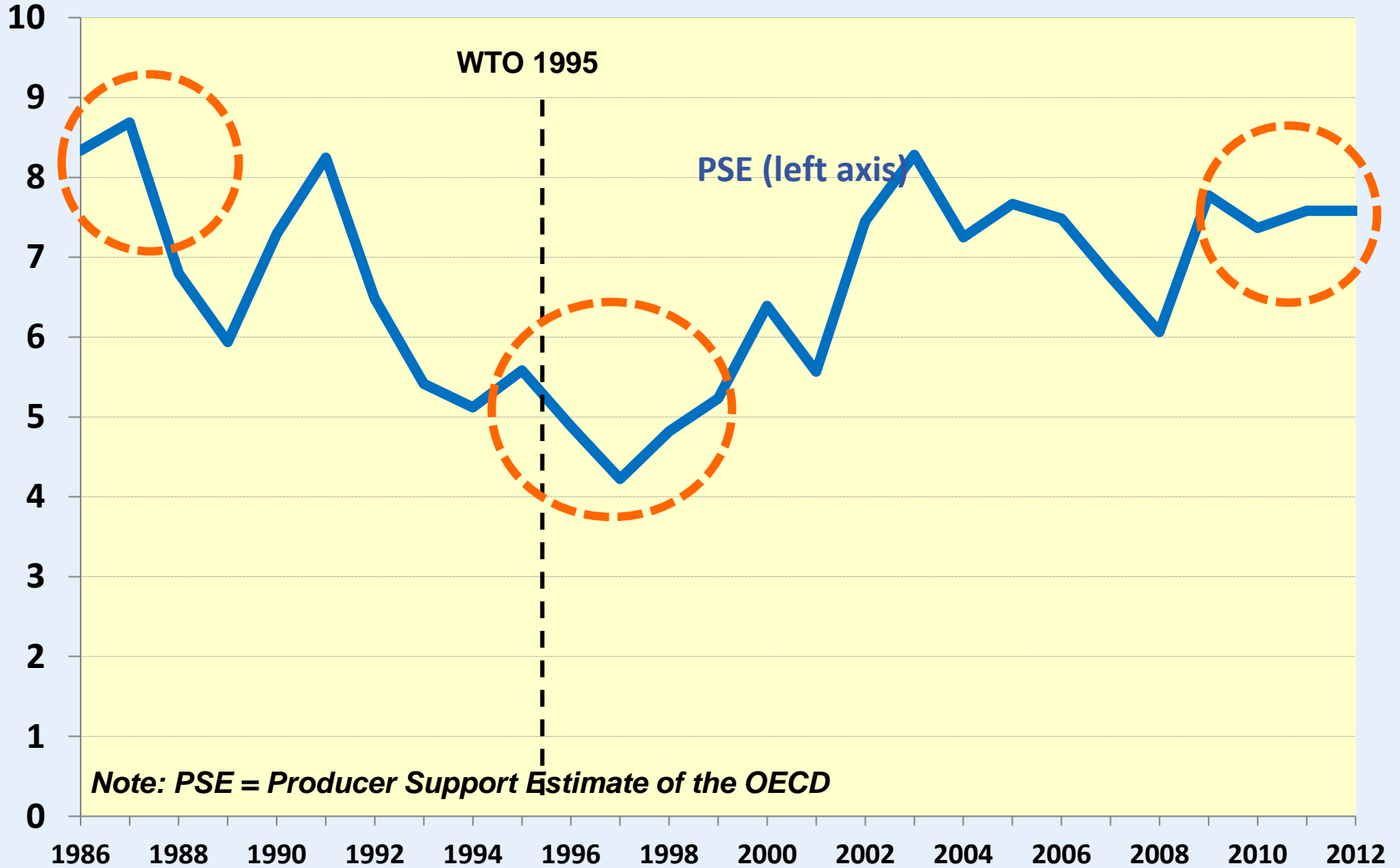
- Marketing regulations
- Income support and stabilization payments
- “General services”
 - Research, food safety, pest control, infrastructure, environment, etc.

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

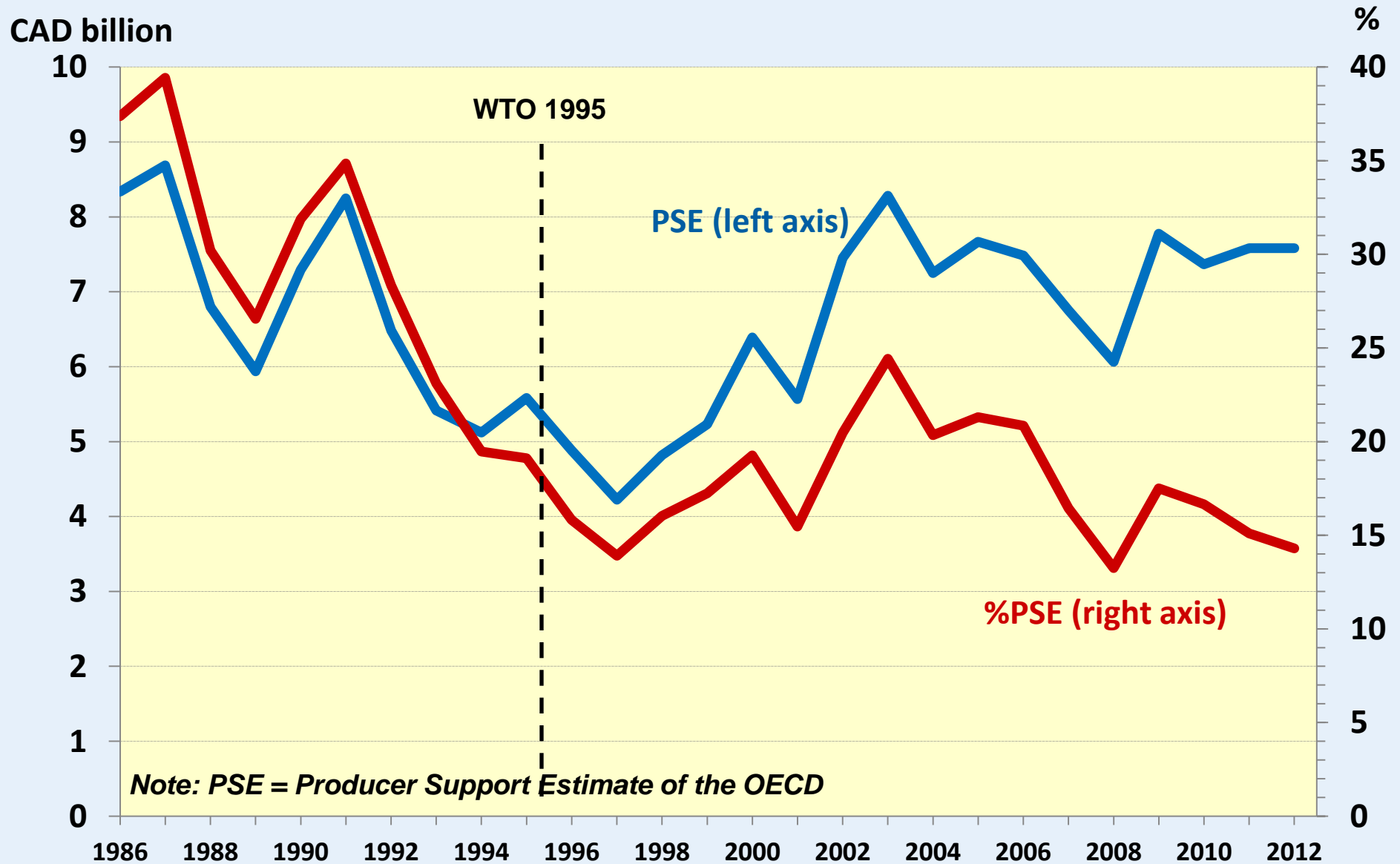
PSE 1986-2012

CAD billion

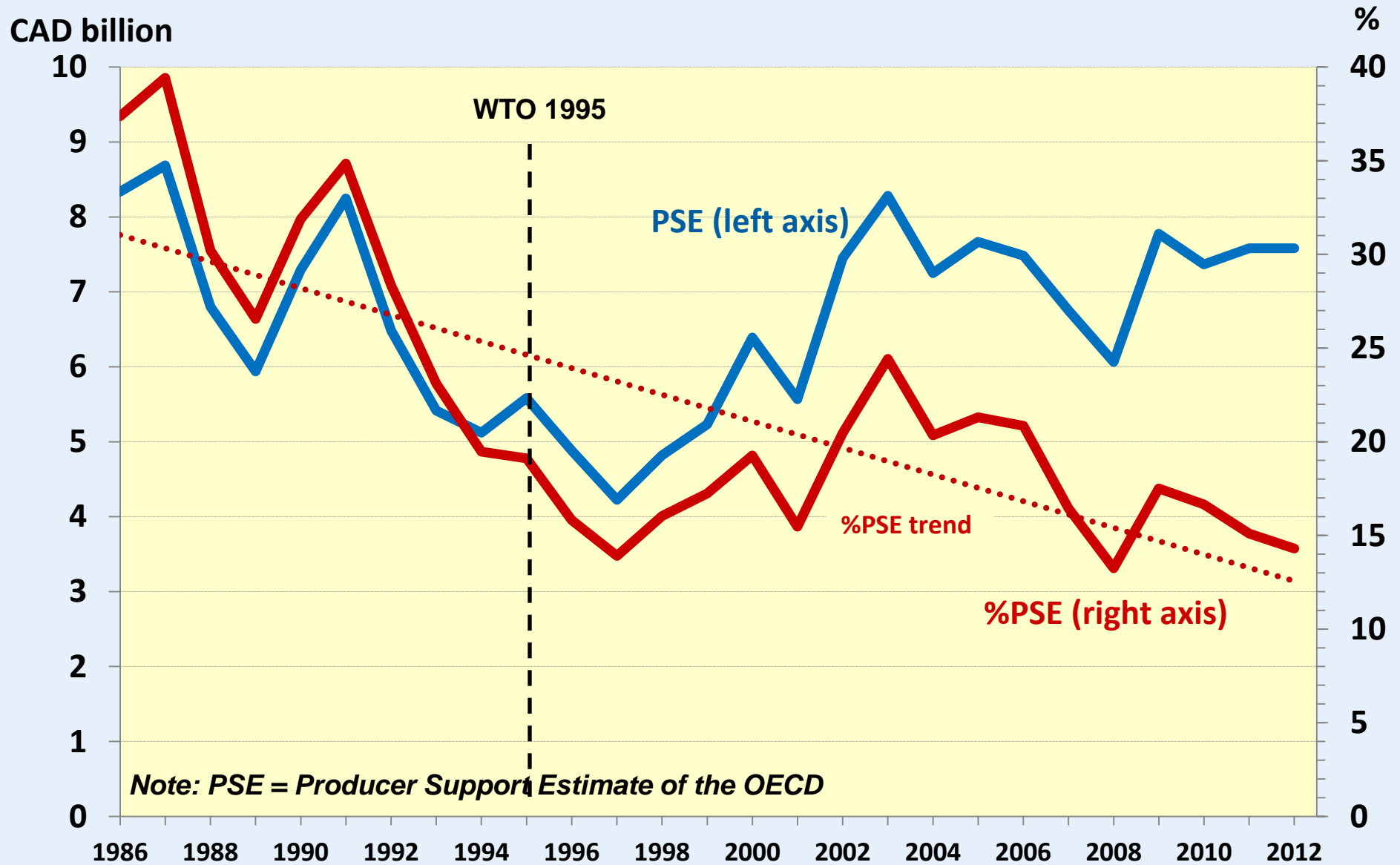


Note: PSE = Producer Support Estimate of the OECD

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%

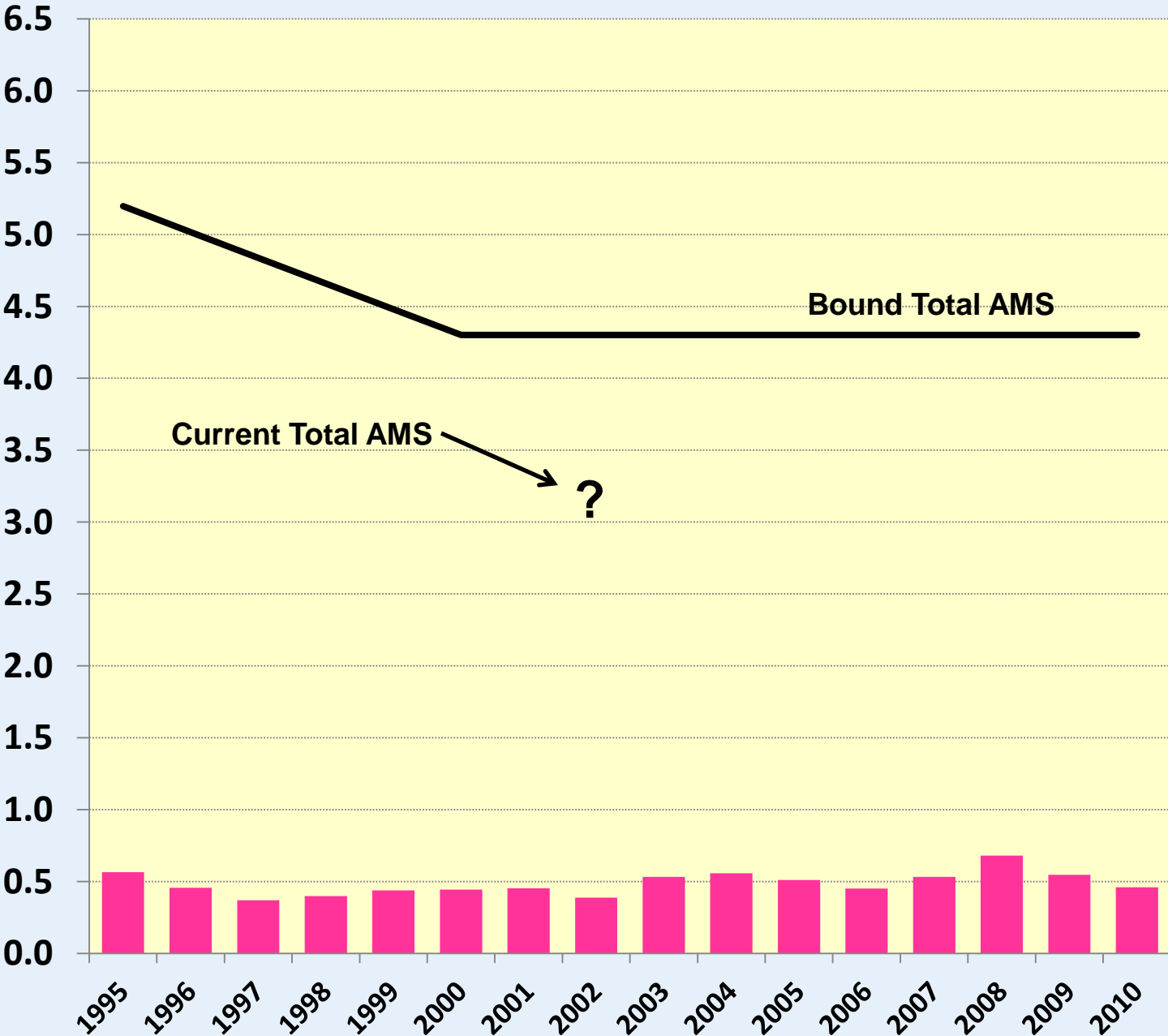
- **Priorities:**
 - Food safety and quality
 - Environmental performance
 - Renewal of farmers' skills
 - Science and innovation
 - “Business risk management”

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.

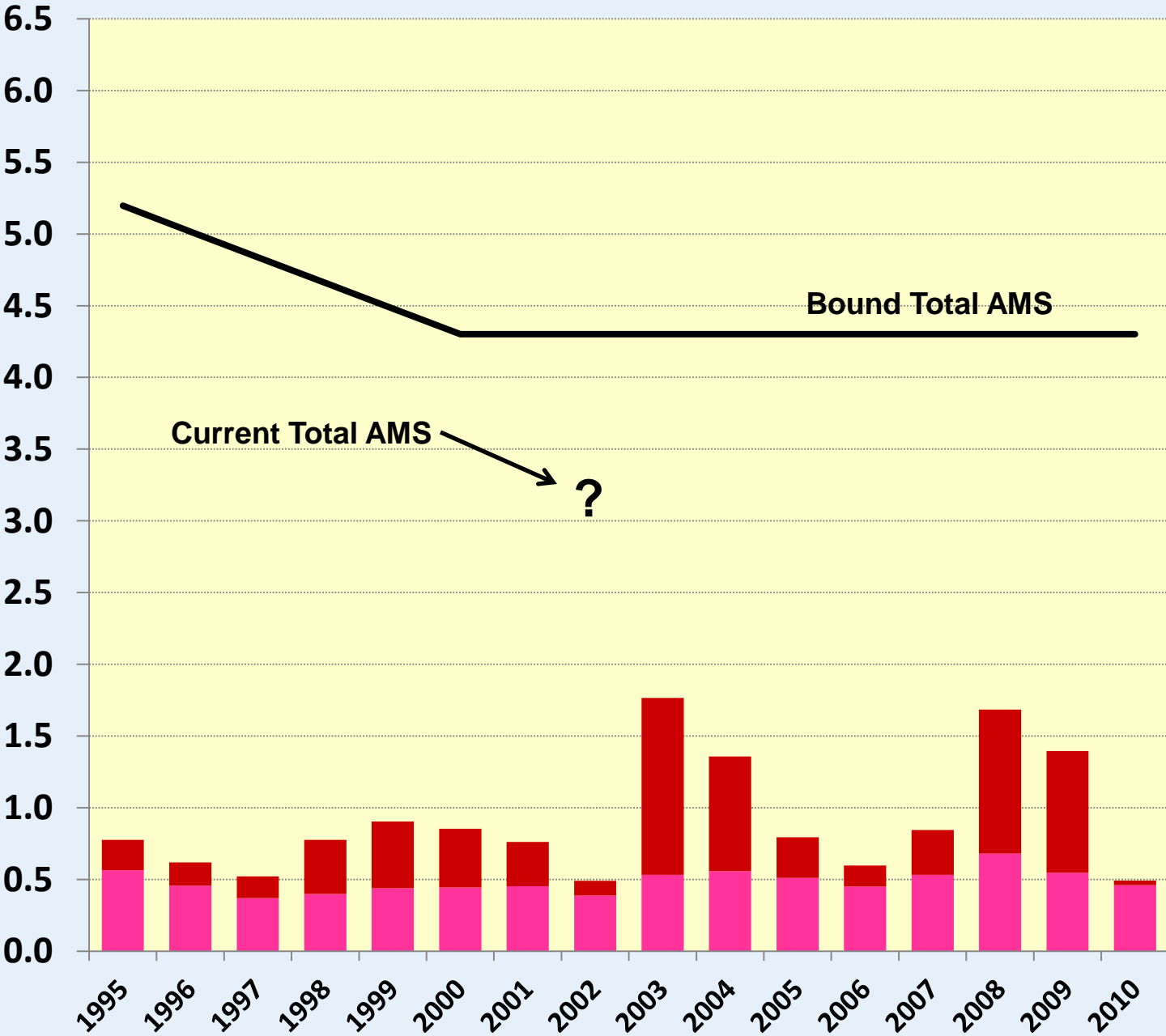


 Mkt price support

 Bound Total AMS

Current Total AMS 1995-2010

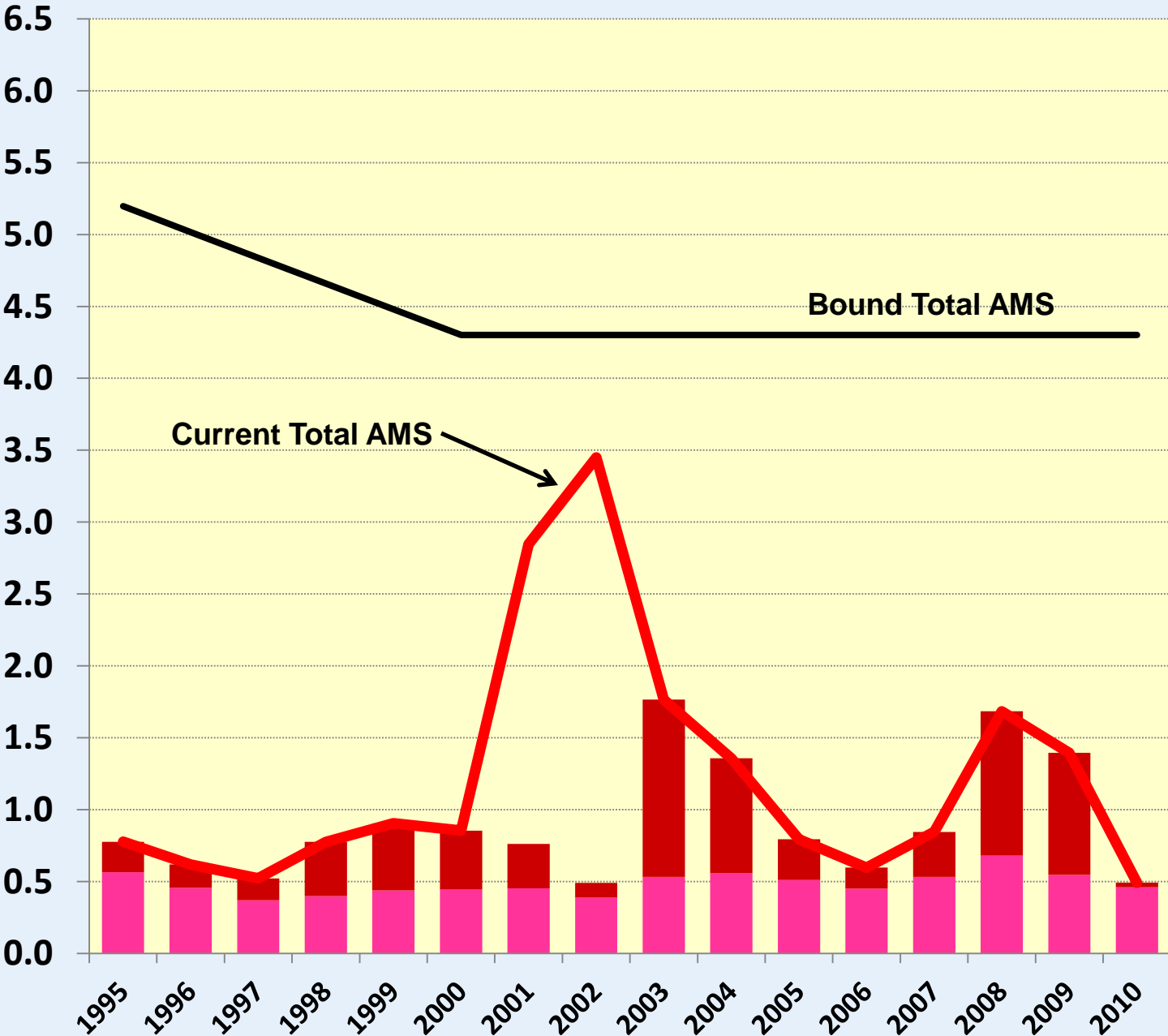
CAD bill.



- Prod spec paymt's
- Mkt price support
- Bound Total AMS

Current Total AMS 1995-2010

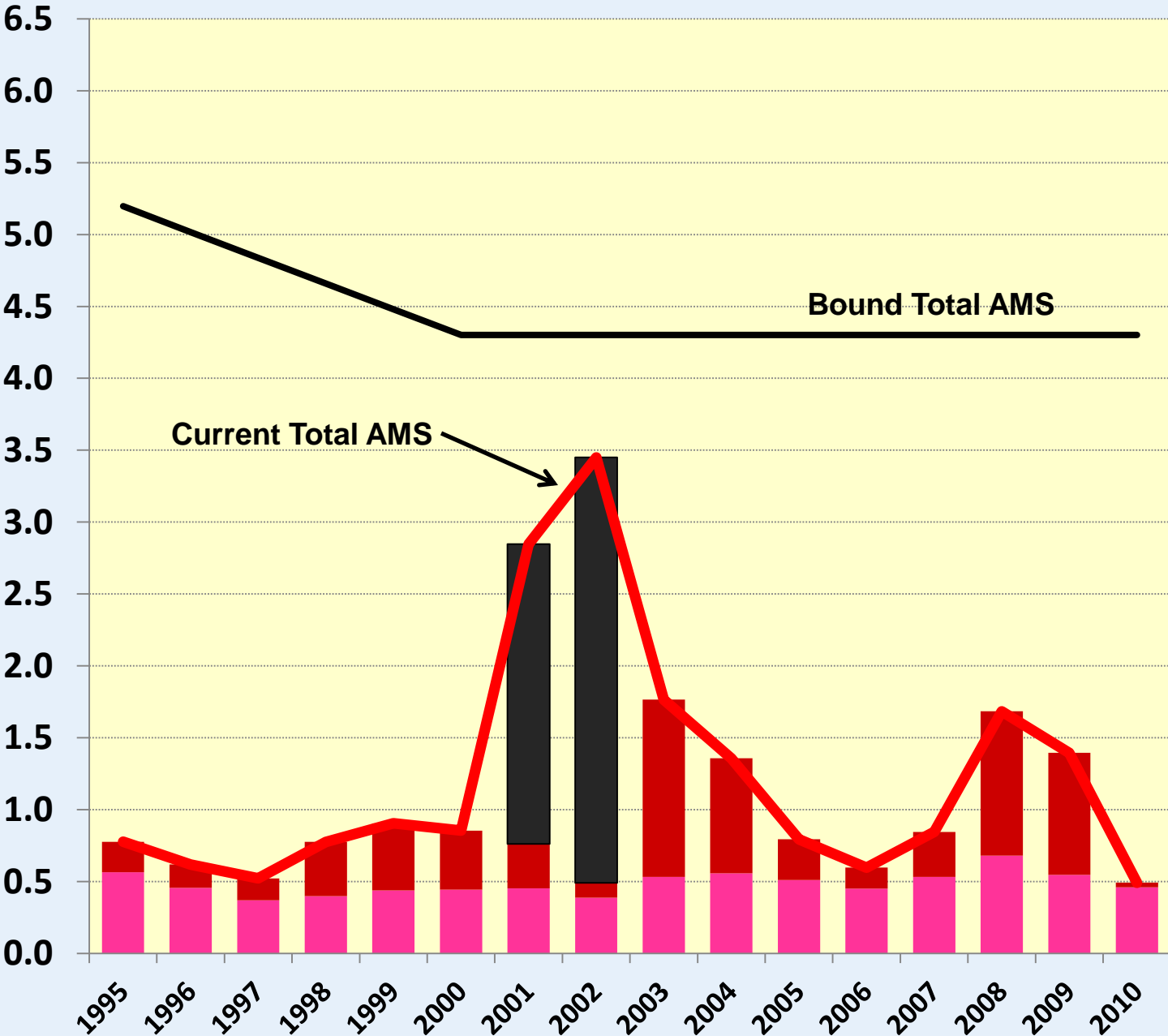
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Current Total AMS 1995-2010

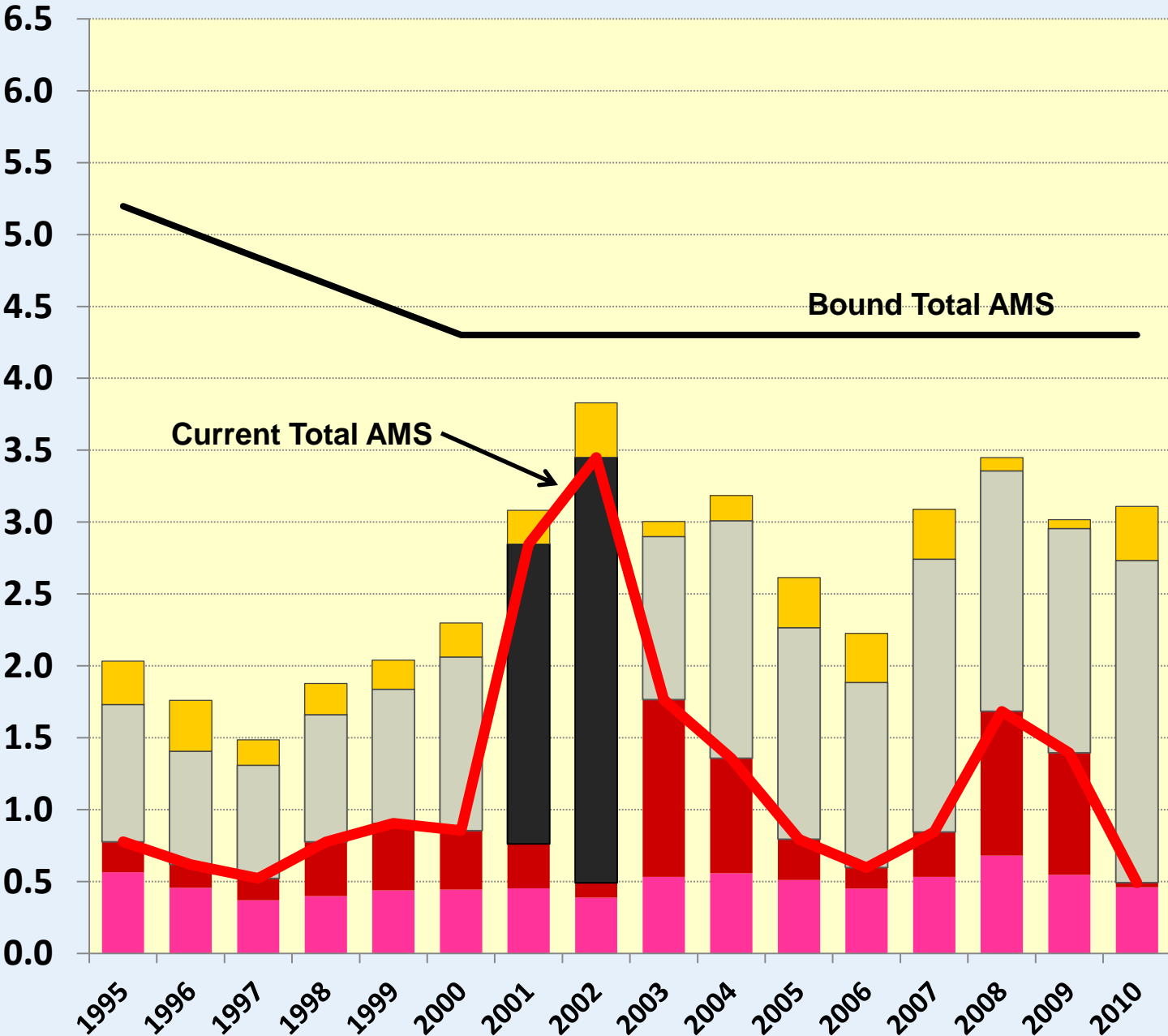
CAD bill.



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

Current Total AMS 1995-2010

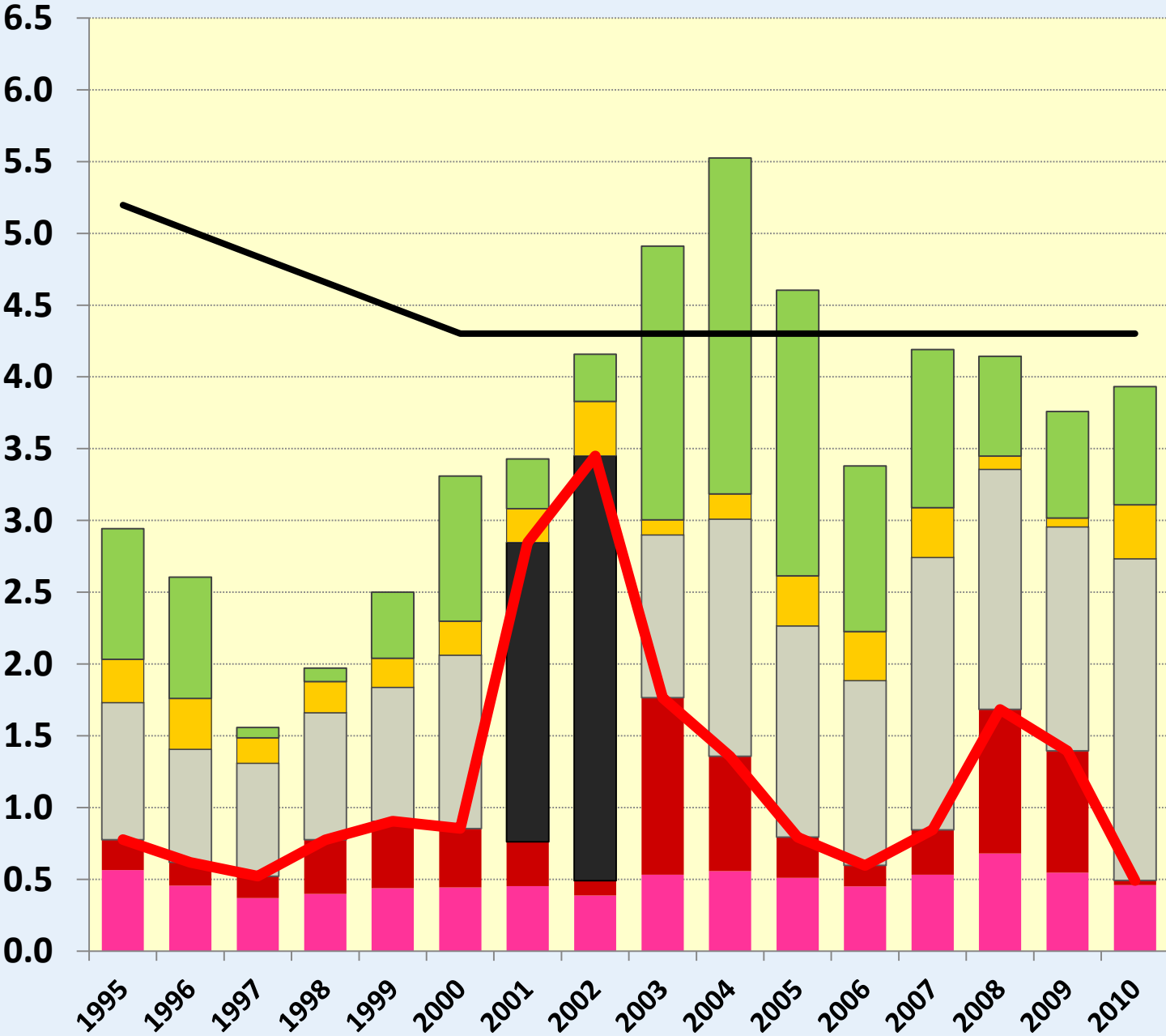
CAD bill.



- PS de minimis
- NPS de minimis
- NPS not de min
- Prod spec paymt's
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- Bound Total AMS
- Current Total AMS

Current Total AMS and Green Box 1995-2010

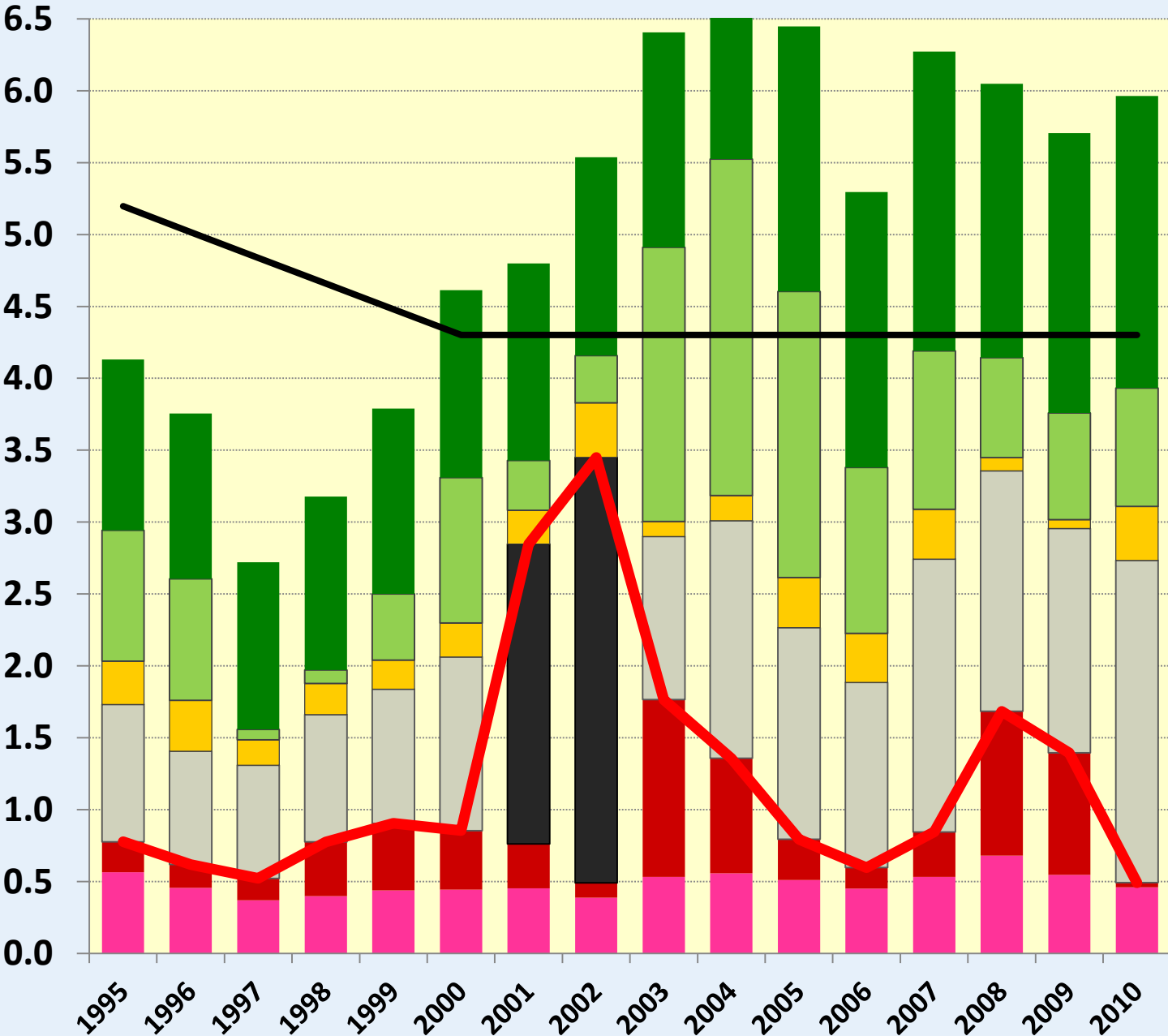
CAD bill.



- Green payments
- PS de minimis
- NPS de minimis
- NPS not de min
- Prod spec paymt's
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- Bound Total AMS
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Current Total AMS and Green Box 1995-2010

CAD bill.

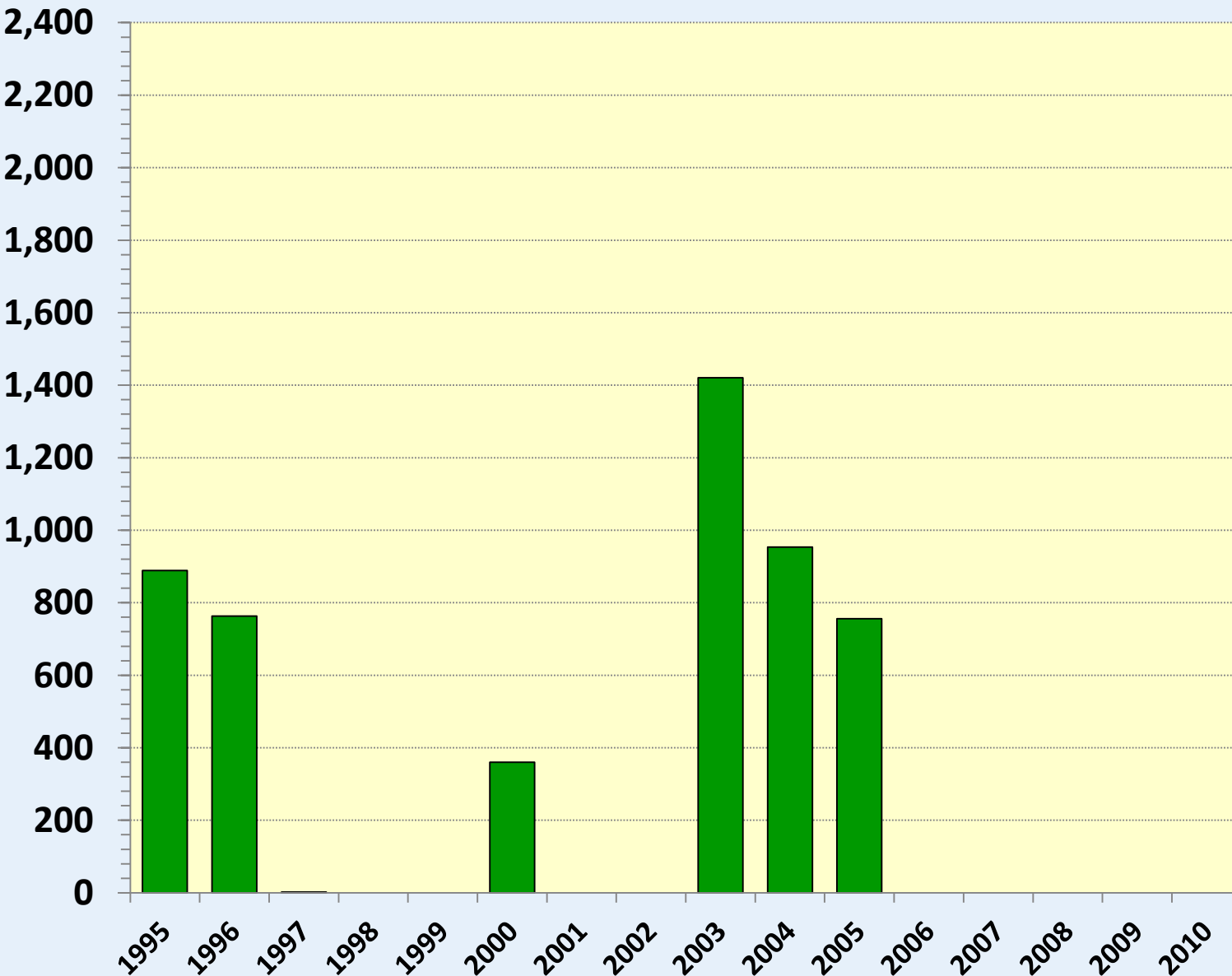


- Green gen serv.
- Green payments
- PS de minimis
- NPS de minimis
- NPS not de min
- Prod spec paymt's
- Mkt price support
- Bound Total AMS
- Current Total AMS

Green box components:

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

CAD mill.

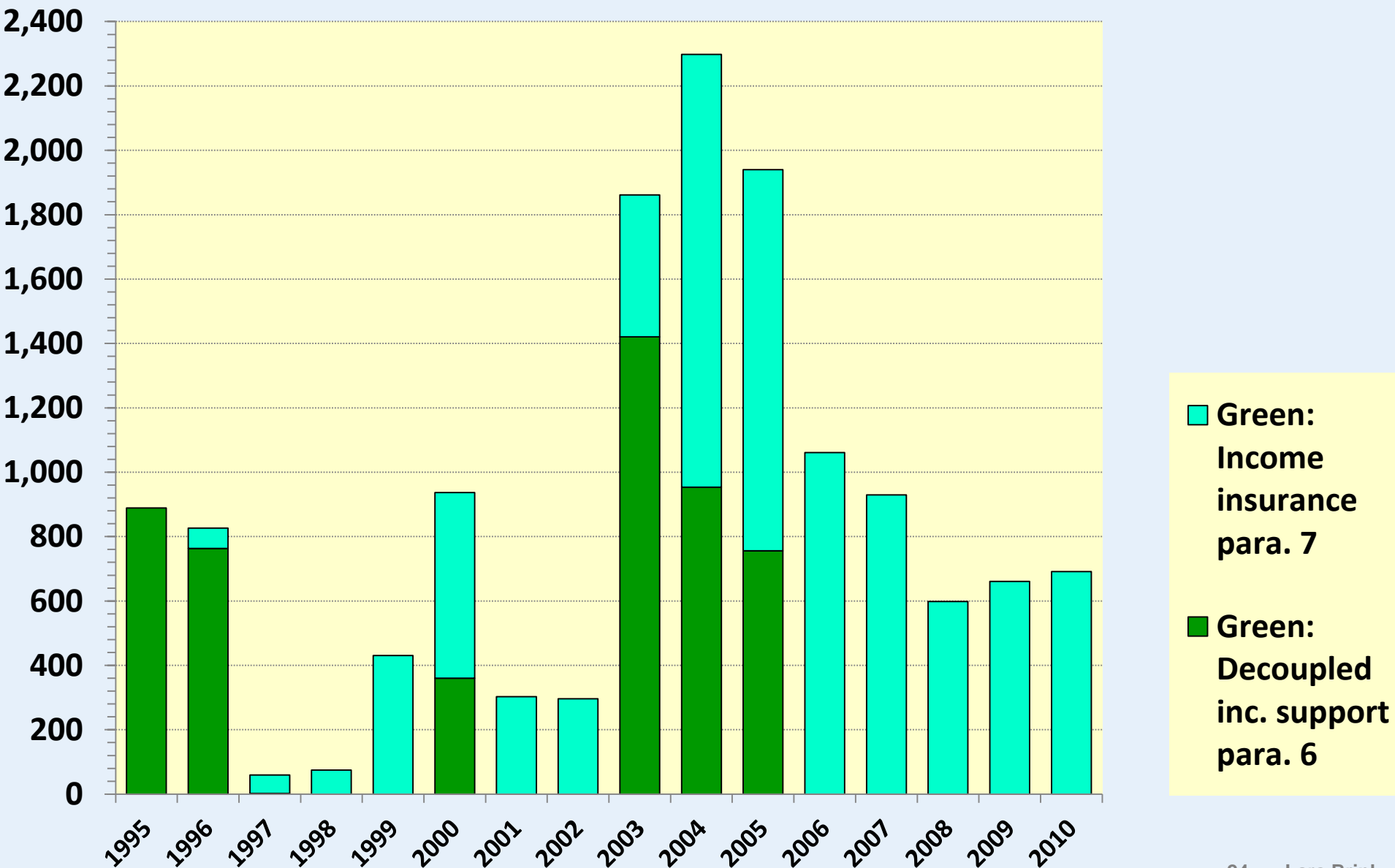


■ Green:
Decoupled
inc. support
para. 6

Green box components:

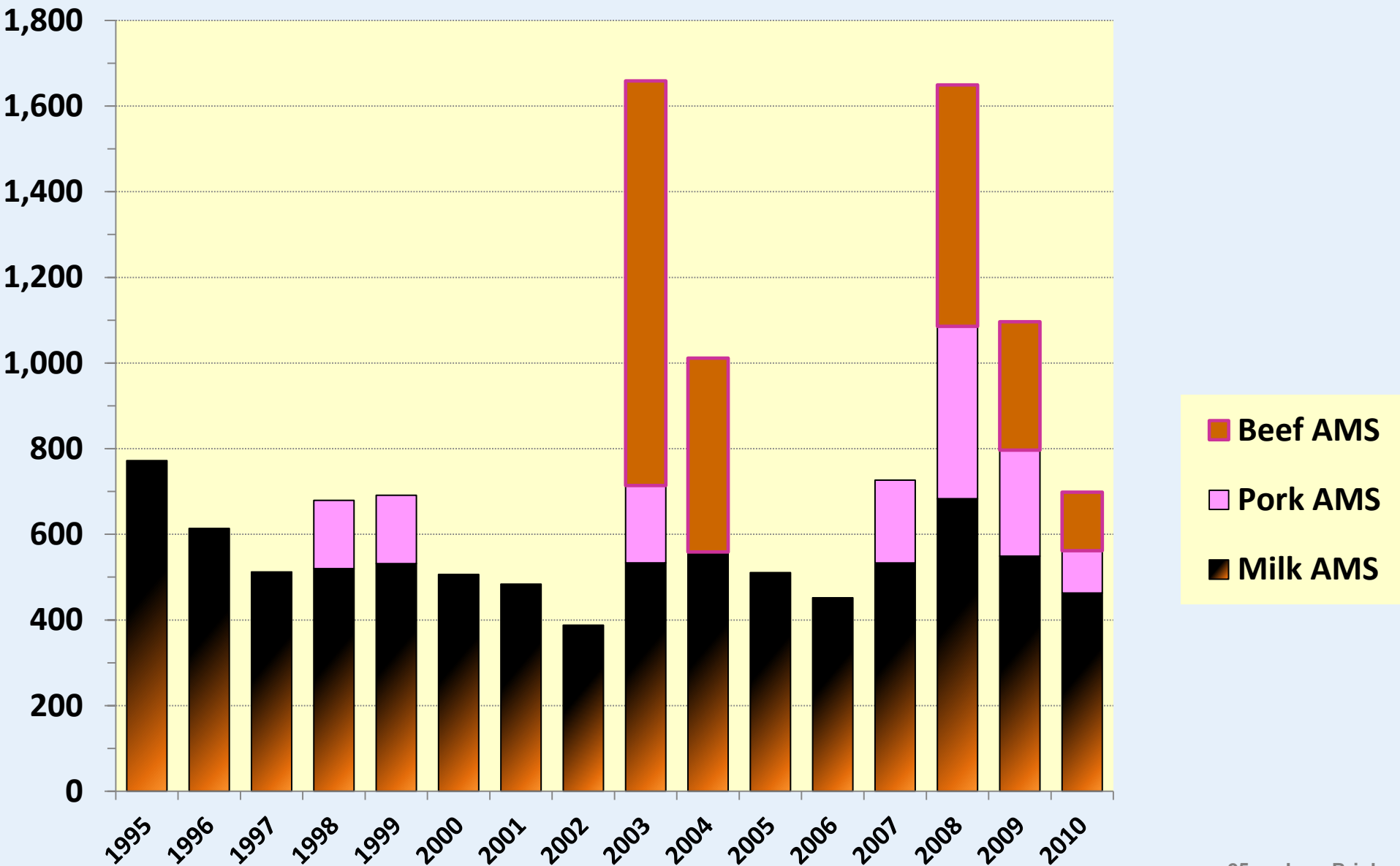
Decoupled (§6) and Income insurance (§7)

CAD mill.



Selected product-specific AMSs: 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 green forest. The path is made of light-colored gravel and curves slightly to the right. The surrounding trees are lush and green, with sunlight filtering through the canopy. The overall scene is peaceful and natural.

Thank you for your attention!

Спасибо!

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