September 28, 2004

The Honourable James Peterson, P.C., M.P. VIA FACSIMILE (613) 992-1158
Minister of International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2

Dear Minister Peterson:

Our organizations consist of industry stakeholders in various export sectors of Canadian agriculture. We are concerned that Canada is falling behind other countries in negotiating bilateral and regional free trade agreements (FTAs). Many of Canada's competitors are negotiating FTAs with countries that are important markets for Canadian agriculture products. We want to bring to your attention the harmful effect that competitors' preferential tariff arrangements will have on access for Canadian products in those markets. The resulting competitive disadvantage for Canadian agricultural exports will reduce Canadian market shares and farm incomes.

The government has stated that its preferred approach in trade negotiations is through the multilateral arena. We agree that in the longer term, the World Trade Organization is the vehicle that has the potential to deliver the largest gains for Canadian agriculture, as it is the best mechanism to deal with issues such as domestic support and export subsidies. However, in the short to medium term, we cannot ignore the negative effects on Canadian exports and farm income that will result from our competitors obtaining preferential tariff access to key markets through bilateral and regional FTAs.

The Canadian canola industry already faces discrimination relative to its major competitors, the U.S. and South American soybean industries. For example, the tariff on canola seed into China is nine per cent, compared to only three per cent on soybeans. In order to sell canola into this market, the price must be discounted by the difference in the tariff amounts, which effectively reduces farmers' incomes by $20 per tonne ($10 per acre) on every tonne of canola sold to China.

This same situation exists for either the seed or the value-added products in most major markets for oils and fats, including India, Thailand, Taiwan, Japan and Pakistan. The canola industry's concern with bilateral FTAs extends to our only major competitor in the production of canola, Australia. It is our understanding that Australia is undertaking a feasibility study on free trade with China. We are concerned that any such agreement would place Canadian canola at a disadvantage in this marketplace relative to Australia.

For the Canadian pulse industry, North Africa and the Andean countries are important markets. In 2003, Andean pact countries accounted for 17.5 per cent of revenue derived from Canada's international lentil sales and six per cent of Canada's pea sales. Colombia is regularly Canada's largest or second largest lentil market and Andean countries represent more than eight per cent of the value of bean exports. North African markets accounted for nearly 20 per cent of the value of Canadian lentil exports in 2003, with Algeria being Canada's largest lentil market with exports of nearly 51 000 tonnes. Preferential access for the U.S. in these markets will reduce market share for Canadian exporters and lower farm income for pulse growers.

As a result of the Mexico-Japan bilateral trade deal, preferential access for Mexican pork into Japan significantly impacts the Canadian pork industry's access to Canada's second largest and one of our fastest growing export markets. It is our understanding that Japan is also holding discussions with China and South Korea on possible bilateral trade agreements. If they materialize, these agreements have the potential to further erode our position. The United States - Chile FTA provides immediate tariff-free access for U.S. pork and pork products.

For wheat, the countries targeted by American FTAs account for approximately 30 per cent of Canadian wheat exports. In Morocco, a key durum wheat market, western Canadian farmers' market share for durum could be significantly reduced. The U.S. will have preferential tariffs on nearly 50 per cent of Moroccan durum wheat import demand at the beginning of the implementation period and nearly 70 per cent by the end. This gain in U.S. market share will come directly at the expense of Canada.

In addition, preferential tariffs negotiated by the U.S. for the Andean countries of South America would likely shut Canadian wheat out of that market completely. These three Andean countries typically buy about one million tonnes per year, which translates to between $200 million and $250 million in sales per year. A 17 per cent tariff advantage, which the U.S. is reportedly trying to negotiate, would cost western Canadian farmers between $34 million and $42.5 million per year in order to remain competitive in the Andean market. It is clear that the competitive disadvantage faced by western Canadian farmers as a result of competitors' FTAs will have significant implications for farm income.

It is imperative that the Government of Canada vigorously pursue bilateral and regional free trade agreements to ensure market access for Canadian products is not hampered. The government should pursue bilateral agreements on a priority basis with the North African and Andean markets, as well as the Asian markets of Japan, Thailand, Philippines and Indonesia. In addition, India is a market where many Canadian agriculture sectors would benefit from having preferential access.

We look forward to discussing this issue in more detail with you and your officials, as a matter of considerable urgency.

Yours truly,

Ken Ritter
Chair, Board of Directors
The Canadian Wheat Board

Barbara Isman
President
Canola Council of Canada

Gordon Bacon
President
Pulse Canada

Bob Friesen
President
Canadian Federation of Agriculture

Clare Schlegel
President
Canadian Pork Council

Bill Vaags
President
Canada Pork International

c: The Honorable Andy Mitchell, P.C., M.P., Minister of Agriculture and Agri-Food
The Honorable Reg Alcock, P.C., M.P., Minister responsible for the Canadian Wheat Board

/cp

086-04CH.doc