

Global Ag Trade: Understanding the New Uncertainty and Risk

...new NAFTA, TPP and China

CANADAWEST
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Carlo Dade, Director, Trade & Investment Centre
2019 APAS Annual General Meeting, Dec. 2019

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1. Global trade picture

2. Bright Spots

3. Question for producers

Global Trade Picture

01

CONTEXT

Not the worst of times

1930s no rules

Post WWII

Canada-US agreement > NAFTA

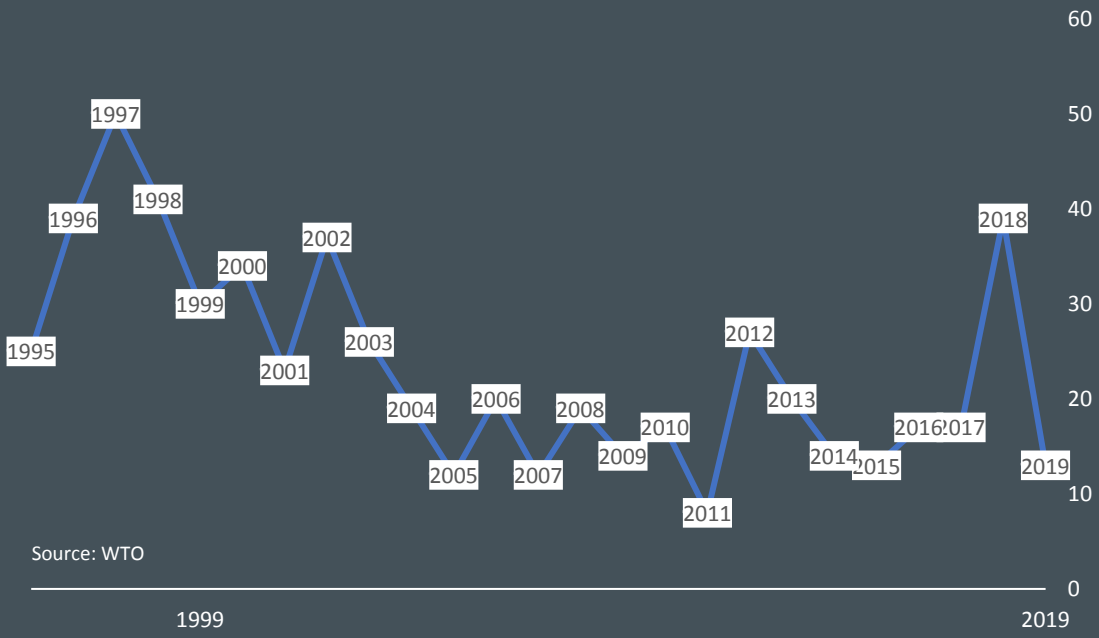
Today

- 10 bi-lateral agreements
- 3 multi lateral (3 NAFTAs)
- But trade agreements with **164 countries**



**Decade
of Peace**

W TO Complaints, 1995-2019



Source: WTO

Causes of Uncertainty: Canada

FINANCIAL POST

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NEWS

Pasta spats: Canadian wheat exports to Italy slump

By Wesley Johnson, Published on April 3, 2018 12:23pm

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Graham Thomson

Has Alberta Premier Kenney fulfilled his election promise to 'make life better for Albertans'?

By Graham Thomson | July 24, 2019

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CANADA May 7, 2019 4:36 pm Updated: May 7, 2019 3:31 pm

Canada calls out on China at WTO council meeting, demands evidence to back canola ban

By Mike Stanfield The Canadian Press

...to other sector in our economy is getting slammed as hard as farmers in the global trade war

...cruelty is it comes during a year that should have been particularly rative for Canadian farmers

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Saskatchewan

Prairie farmers want Canada's trade dispute with India 'straightened out'

Canadian pulse shipments to India face duties between 30 to 50 per cent

Olivia Stefanovich - CBC News - Posted: Feb 25, 2018 4:00 AM CT | Last Updated: February 25, 2018



The Canadian export of chickpeas, lentils and peas to India generated over \$1.1 billion dollars in 2016. (Olivia Stefanovich/CBC)

ina's next move.



Net farm incomes fell by nearly 21 per cent last year, one of the largest year-over-year decreases ever recorded in Canada. (Shutterstock)

NAOMI POWELL AND JAKE EDMISTON

August 15, 2019 7:00 AM EDT

0 Last Updated August 15, 2019 4:32 PM EDT

Filed under Commodities Agriculture

Comment

Part of an ongoing series that looks at changes one year after the global trade wars ignited.

On a recent Thursday morning in Davidson, Sask., Rob Stone was steering his black half-ton GM pickup down the Ross Road toward town.



hal

...in other countries' perspective

Shinzo Abe bowing to rice farmer in re TPP trade deal

Good thing we don't export rice....

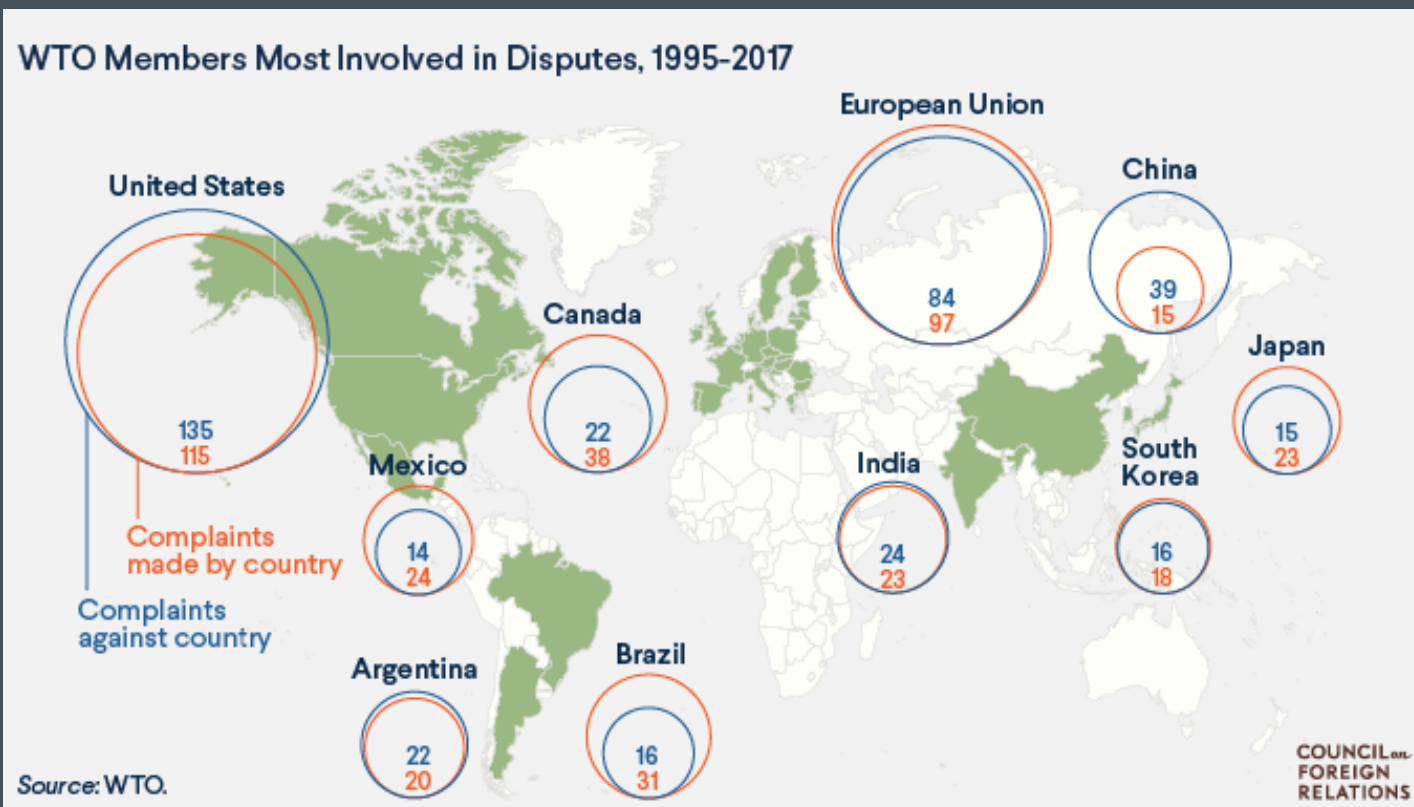


...and speaking of
other countries'
perspectives...

et tu, Canada?



...not just milk/SM5....



Largest Source of Uncertainty for Canada

- COOL
- Softwood
- Grain grading

The image shows two news articles side-by-side. The top article is from the Financial Post, titled "The new NAFTA won't protect us from anti-trade U.S. presidents" with the subtext "Opinion: With Trump and most of his potential Democratic replacements, there are likely to be more and more serious trade storms ahead". The bottom article is from CBC News, titled "Steel yourself, Canada: Tariff deal falls short of 'a full lift'" by Janyce McGregor, dated May 26, 2019. It includes a photo of Justin Trudeau with steelworkers and a quote from Leo Gerard of the United Steelworkers.

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The new NAFTA won't protect us from anti-trade U.S. presidents

Opinion: With Trump and most of his potential Democratic replacements, there are likely to be more and more serious trade storms ahead

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Politics · Analysis

Steel yourself, Canada: Tariff deal falls short of 'a full lift'

f t r in e


Much-hailed agreement left openings for steel and aluminum tariffs to snap back
Janyce McGregor · CBC News · Posted: May 26, 2019 4:00 AM ET | Last Updated: May 26



Prime Minister Justin Trudeau posed with steelworkers in Sault Ste. Marie Friday, the latest stop in his government's victory-lap tour of steel and aluminum producers last week, celebrating the lifting of American tariffs. (Adrian Wyld/Canadian Press)

1836 comments

"Don't bask in the glory of this one," United Steelworkers president Leo Gerard told CBC's *The House* podcast last week, casting a skeptical eye on the agreement to end steel and aluminum tariffs.



... and Canadian Prime Minister Justin Trudeau along with Mexico's President Enrique Peña Nieto at a press conference on the signing of a new free trade agreement in Buenos Aires, on November 30, 2018. (SAUL LOEB/AFP/Getty Images)

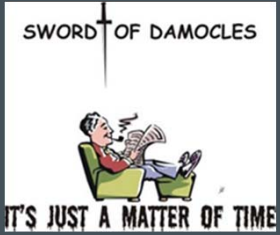
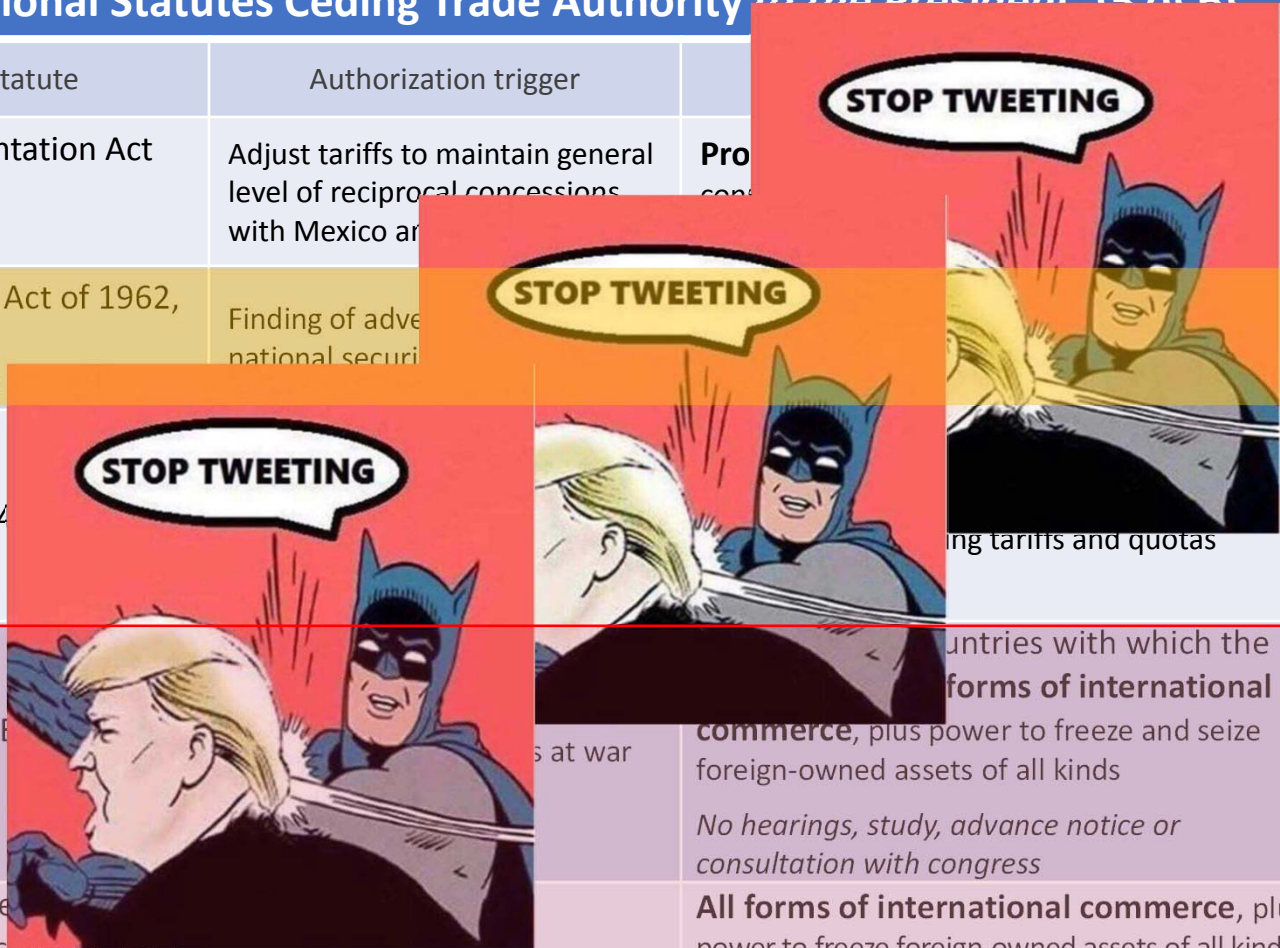
By Carlo Dade

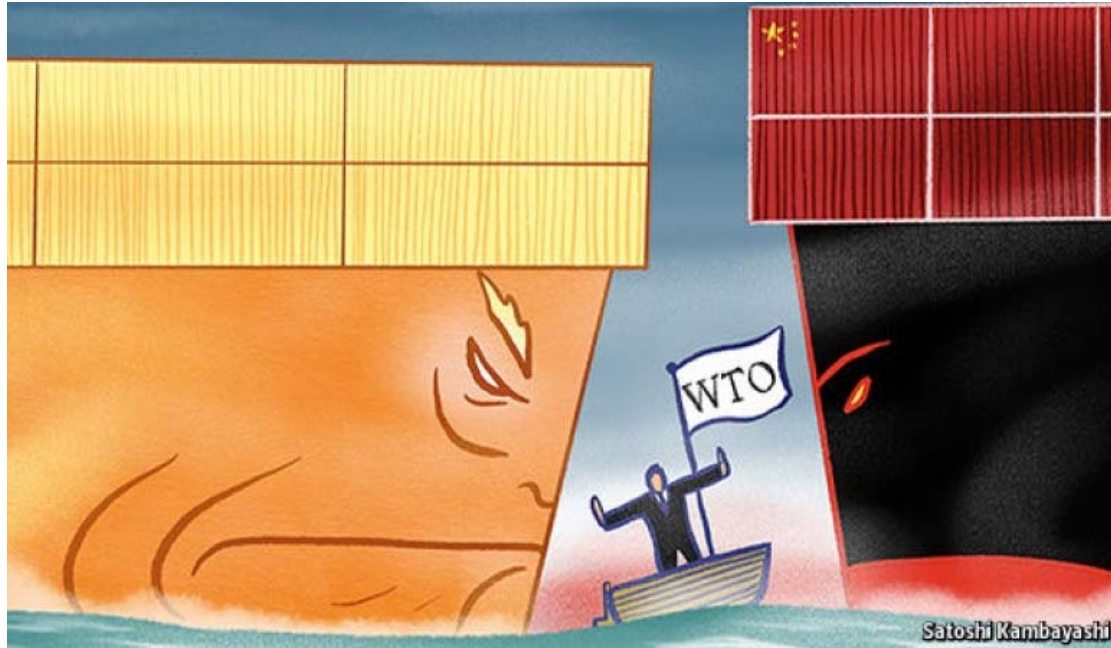
Debate in Canada over ratification of the new North American trade agreement (NAFTA 2.0) is focused on the wrong issue: whether Canada "won" or "lost" the negotiations. That draws focus from the more critical issue: understanding that the new NAFTA does little to protect Canadian business from its greatest threat, namely, a U.S. president who has the ability and willingness to unilaterally and idiosyncratically impose tariffs and threaten trade. With negotiations over and a deal reached, Canada must — counterintuitively — maintain or even increase our outreach and advocacy to

Tweet of Damocles

Congressional Statutes Ceding Trade Authority to the President (5 of 6)

Name of statute	Authorization trigger	
NAFTA Implementation Act of 1993	Adjust tariffs to maintain general level of reciprocal concessions with Mexico and	Pro con
Trade Expansion Act of 1962, Sect. 232(b) (steel & aluminum)	Finding of adverse national security	
Trade Act of 1974		
Trading with the Enemy Act of 1917	is at war	countries with which the forms of international commerce, plus power to freeze and seize foreign-owned assets of all kinds <i>No hearings, study, advance notice or consultation with congress</i>
International Emergency Economic Powers Act of 1977		All forms of international commerce , plus power to freeze foreign-owned assets of all kinds

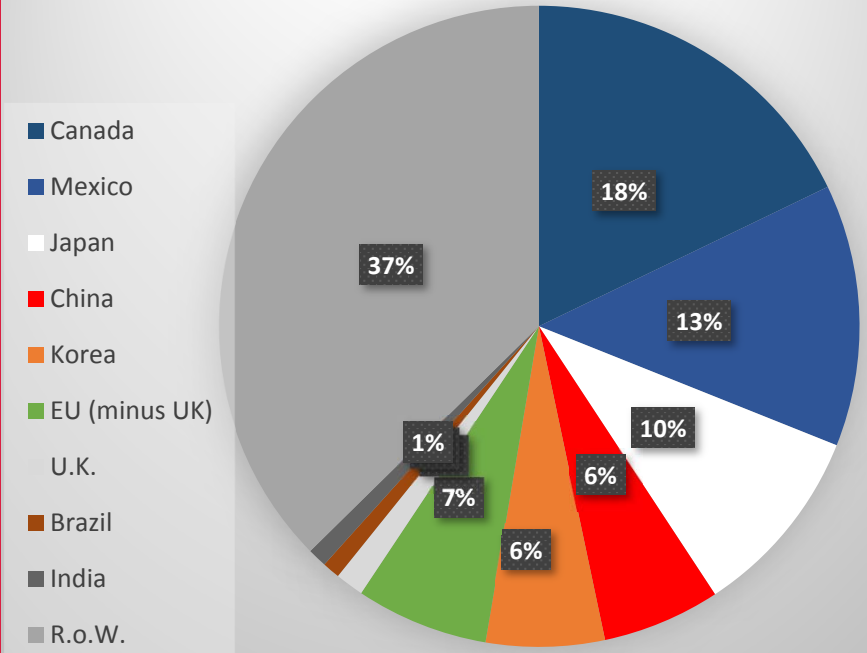




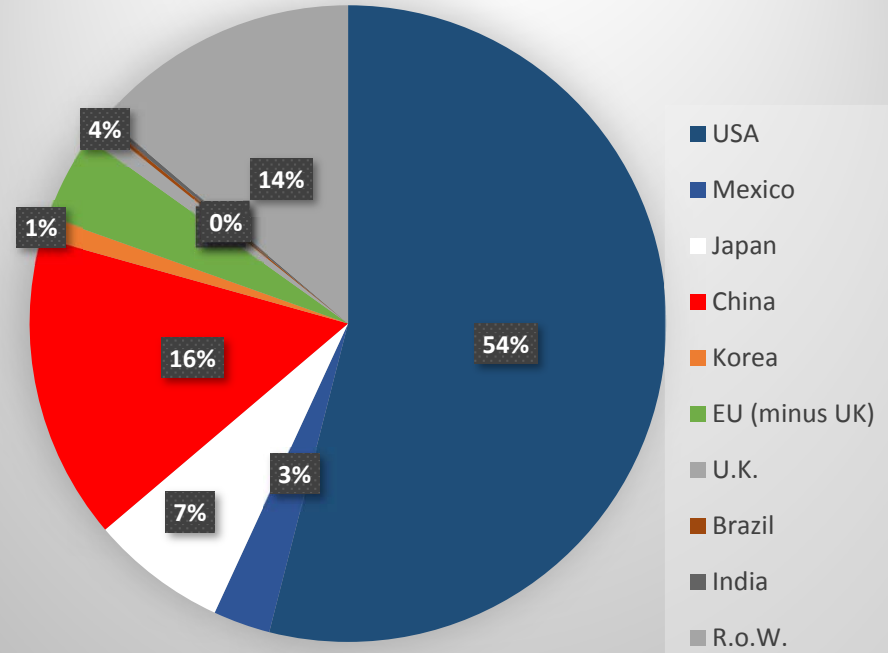
What is the problem

- Increased political interference
- Attacks on the rules-based system
 - From all quarters
 - US flip from protector of system to greatest threat
- Canada exposed

USA: exports to



Canada: exports to



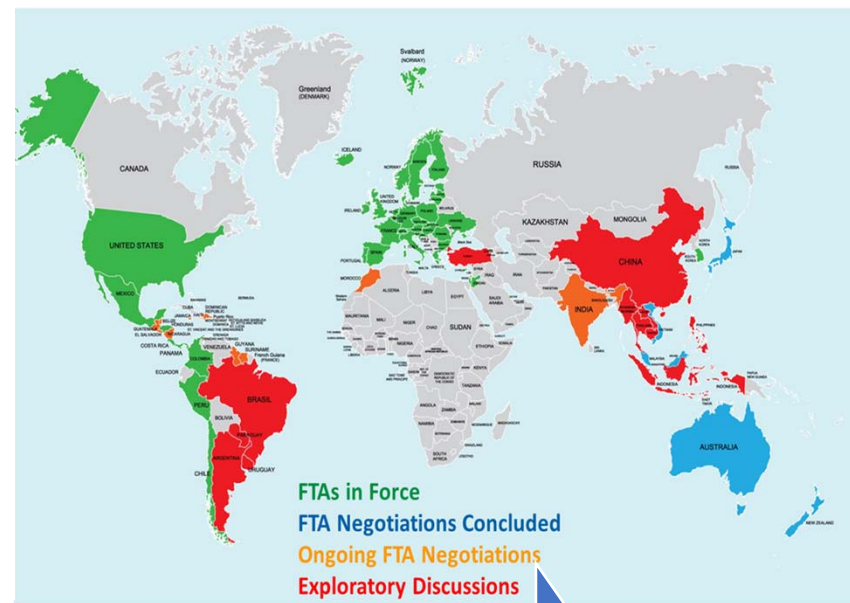
02

Bright Spots

But still...we still are relatively better off and have opportunities



U.S.



Canada

Global Middle Class Growth Projections (millions)



HS code	Chapters	Domestic exports (CAD\$)	% of total ag export	1. USA (tariff under USMCA)	1. USA (tariff under MFN)
.19.	Preparations of cereal, flour, starch or milk; pastrycooks' products	\$4,133,321,393	12%	0%	0.78%
.03.	Fish and crustaceans, molluscs and other aquatic invertebrates	\$3,683,158,000	11%	0%	4.50%
.02.	Meat and edible meat offal	\$3,175,790,969	9%	0%	0.46%
.15.	Animal/veg fats and oils and their cleavage prod; prepr edbl fats; animal/veg waxes	\$2,807,386,886	8%	0%	8.68%
.07.	Edible vegetables and certain roots and tubers	\$2,351,103,395	7%	0%	1.53%
.20.	Preparations of vegetable, fruit, nuts or other parts of plants	\$1,930,270,050	6%	0%	3.48%
.18.	Cocoa and cocoa preparations	\$1,899,951,038	6%	2.16%	3.18%
.23.	Residues and waste from the food industries; prepared animal fodder	\$1,878,740,094	6%	2.41%	5.27%
.01.	Live animals	\$1,777,445,926	5%	0.69%	10.84%
.21.	Miscellaneous edible preparations	\$1,704,175,196	5%	1.71%	5.39%
.10.	Cereals	\$1,603,712,839	5%	0%	0.56%

U.S. top Ag exports to Mexico, 2017		Mexico WTO tariff or What US producers would pay	NAFTA tariff or What Canadian producers would pay
Product	Value (USD 000,000)		
Corn (excl. seed)	\$ 2,257,333	4	
Soybean, other	\$ 1,585,457	7.5	
Wheat (excl. seed and durum)	\$ 696,097	7.5	0
Cotton	\$ 350,487	0	
Rice in husk	\$ 199,982	9	
Grain sorghum (excl. seed)	\$ 75,275	7.5	
Other SK opportunities in Mexico		Mexico WTO tariff	NAFTA tariff
Pulses	Value (USD 000,000)		
Other kidney beans	\$ 34,420	33.8	
Black beans	\$ 29,119	10	
Lentils (excluding seed)	\$ 19,611	10	
Pinto beans	\$ 14,882	10	
Grt Nthrn Beans	\$ 4,383	10	0
Peas	\$ 1,883	5	
Split peas	\$ 1,850	5	
Navy pea beans	\$ 1,839	33.8	
Beans	\$ 1,640	10	

Sources: USDA, Foreign Agriculture Service, WTO Tariff Download Facility, Canada Tariff Finder

Table 3: Potential additional market share to contest for Canada in Japan under CPTPP (in thousands of current USD)

*these goods may be impacted by U.S.-Japan trade agreement. See section V. Impact of U.S.-Japan trade deal for details.

HS6 Code	Abbreviated description	Western Canada Exports to Japan Baseline	Canada Exports to Japan Baseline	Western Canada Expected Export Gain	Western Canada Gain %	Canada Expected Export Gain	Canada Gain %	Potential Additional Market Share to Contest
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
'020329	*Frozen pork	81,188	166,655	405,273	499%	1,004,325	603%	192,383
'020319	*Fresh/chilled pork	441,353	609,695	682,309	155%	1,248,953	205%	153,822
'020230	*Frozen boneless beef	39,785	48,724	135,298	340%	185,969	382%	145,021
'020130	*Fresh/chilled boneless beef	13,692	22,196	66,051	482%	108,678	490%	124,893
'170220	Maple sugar/syrup	184	20,335	84	46%	9,883	49%	9,482
'081190	*Frozen fruit and nuts	11,486	27,461	6,119	53%	14,825	54%	8,341
'750400	Nickel powders and flakes	5,109	81,730	586	12%	7,455	9%	6,076
'020910	*Pig fat	11,488	30,862	2,854	25%	8,605	28%	4,496
'750210	Unwrought nickel	18,594	44,499	4,229	23%	10,111	23%	3,238
'160249	*Prepared/preserved pork meat and offal	21,151	40,188	11,331	54%	24,481	61%	3,230
'200410	*Frozen potatoes	19,382	24,734	8,831	46%	11,372	46%	2,819
'020610	*Fresh/chilled edible beef offal	15,664	20,244	29,120	186%	39,359	194%	1,576
'230910	*Dog or cat food	5,635	20,894	2101	4%	781	4%	695
'282911	Chlorate of sodium	23,666	25,489	3,418	14%	3,809	15%	- 122
'441012	Oriented strand board	45,660	45,672	13,726	30%	13,730	30%	- 3,383
'440710	Coniferous wood	507,567	508,179	65,481	13%	65,568	13%	- 17,081

Table 5: Top 20 Extensive export gain for western provinces in Japan under CPTPP (in thousands of current USD)

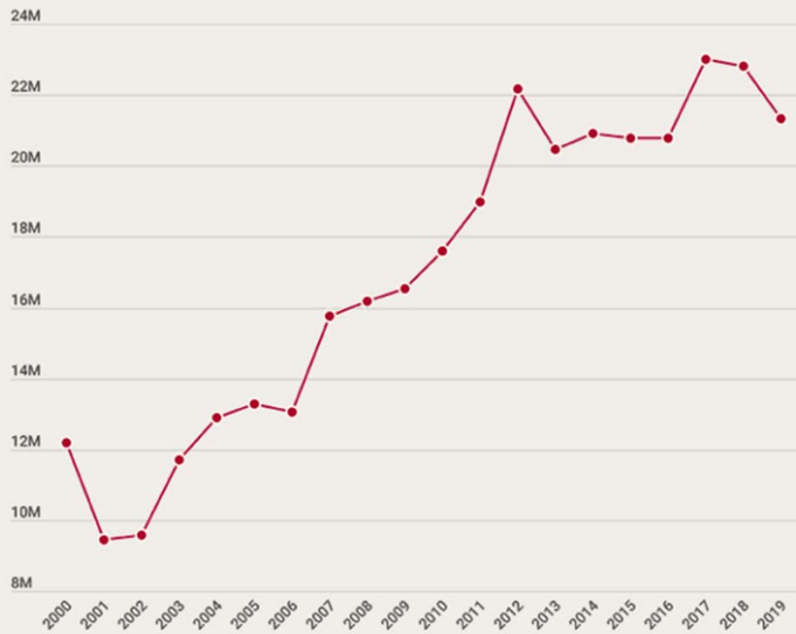
*these goods may be impacted by U.S.-Japan trade agreement. See section V. Impact of U.S.-Japan trade deal for details

HS6 Code	Abbreviated description	AB Export to Japan Baseline	SK Export to Japan Baseline	MB Export to Japan Baseline	AB Expected Export Gain	SK Expected Export Gain	MB Expected Export Gain
		(2)	(3)	(4)	(6)	(7)	(8)
'020649	*Frozen pork products	3,251	-	5,768	28,217	-	53,214
'071310	*Dried, shelled peas	962	2,940	43	14,897	47,999	706
'020629	Frozen beef offal	7,453	-	8	19,008	-	26
'020322	*Frozen bone-in ham	1,685	-	382	7,235	-	2,010
'020621	Frozen beef tongues	10,437	-	-	7,357	-	-
'040900	Natural honey	6,827	989	1,669	4,638	752	1,231
'010129	Live horses	12,425	-	3,502	3,312	-	892
'030520	Dried fish livers	-	-	45	-	-	8
'151419	Canola oil erucic acid < 2%	4,546	13	636	1,801	5	262
'190590	*Bread, pastry, cakes	365	-	33	201	-	18
'151411	Crude canola oil erucic acid < 2%	383	732	-	270	515	-
'030389	Frozen fish	-	-	-	-	-	-
'280300	Carbon blacks	3,659	-	-	993	-	-
'390190	Ethylene polymers	4,624	-	-	906	-	-
'030214	Fresh/chilled Atlantic salmon	1	-	-	0	-	-
'071332	*Dried shelled "Adzuki" beans	15	20	-	395	506	-
'210610	*Protein textured and concentrates	1	-	156	5	-	839
'030312	Frozen Pacific salmon	-	-	-	-	-	-
'030311	Frozen sockeye salmon	-	-	-	-	-	-
'811292	Unwrought hafnium	-	-	-	-	-	-

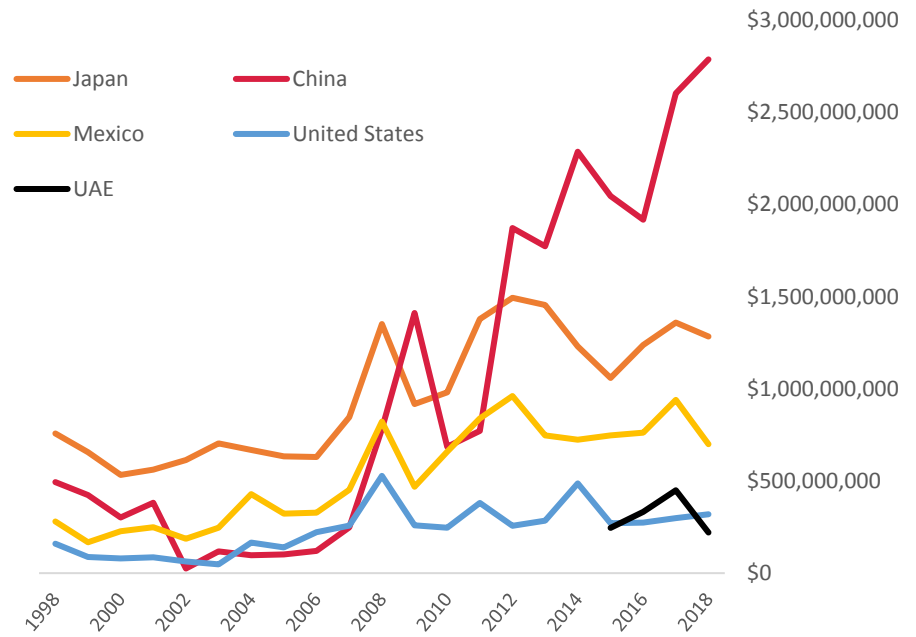
Question

03

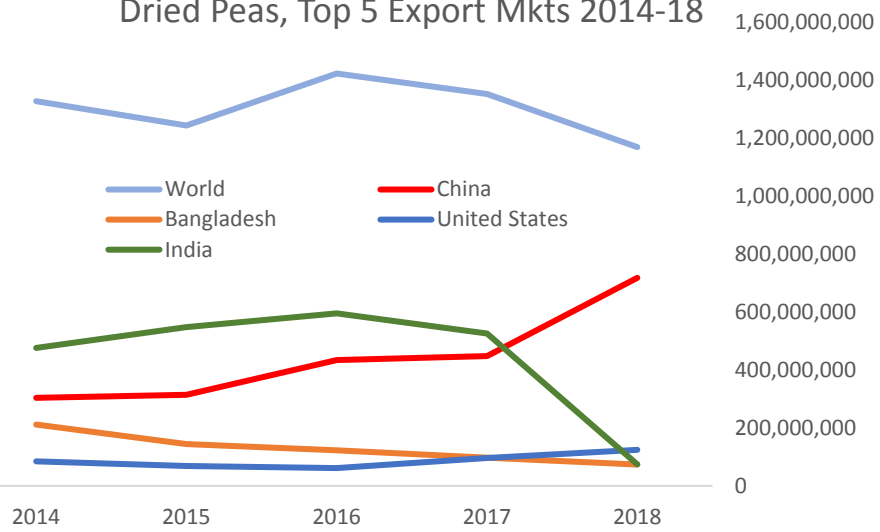
Canola seeded in Canada (acres) 2000-2019



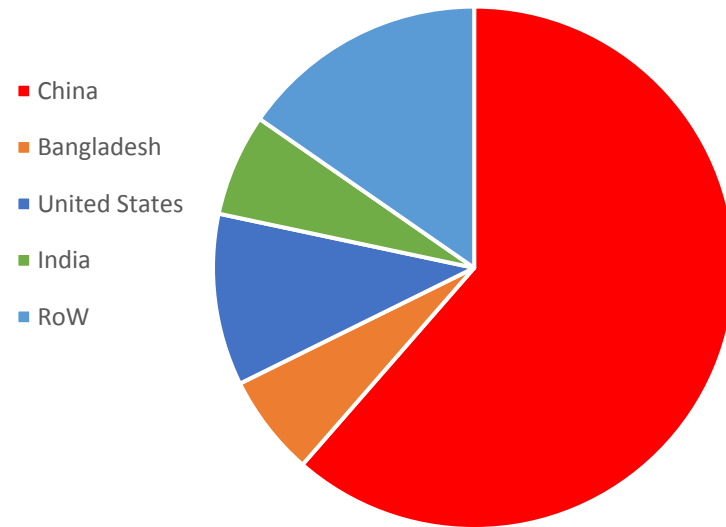
Canada Top 5 Canola Export Markets



Dried Peas, Top 5 Export Mkts 2014-18



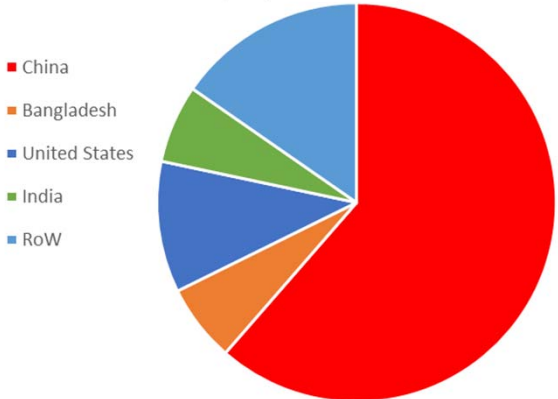
Dried Peas, Top 5 Markets, 2018



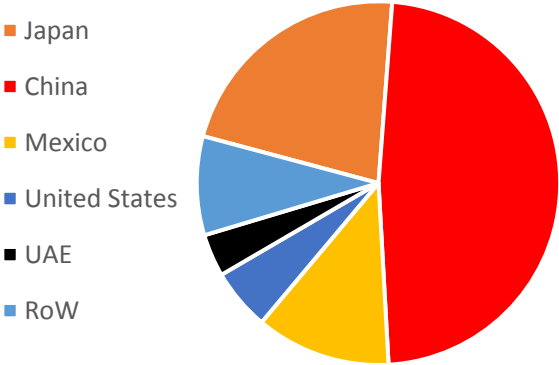
What to do.

About China?

Dried Peas, Top 5 Markets, 2018

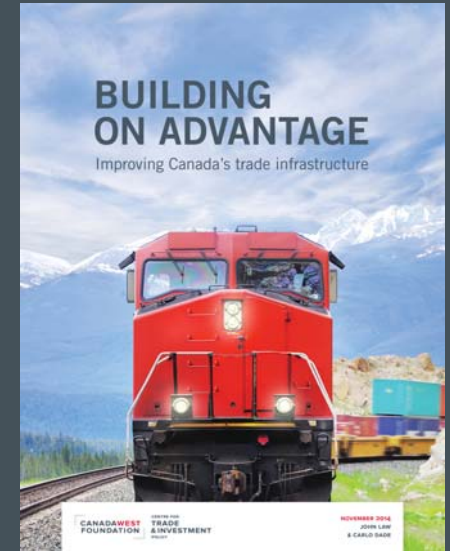
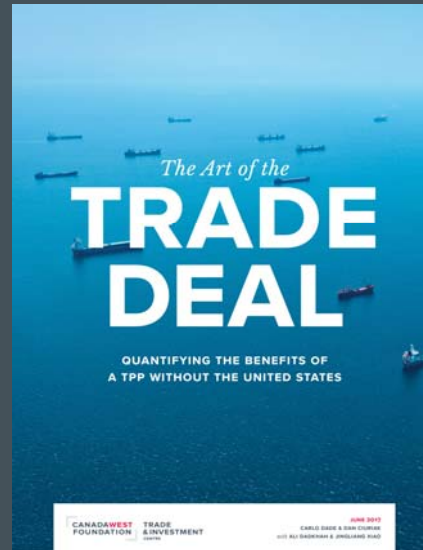
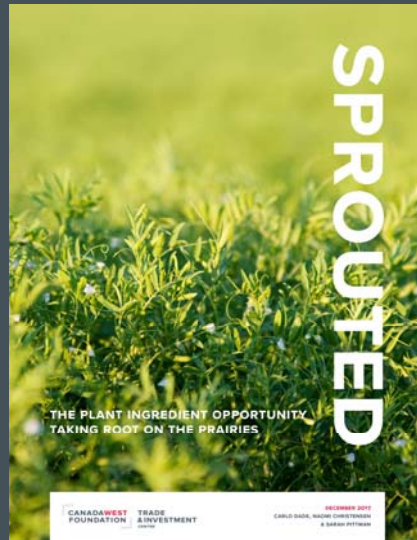


Canola Exports, Top 5 Mkts, 2018



What to do elsewhere.

2. Realize, price, incorporate risk
 - Including escalation, retaliatory tariffs
3. Diversify - the TPP, CETA
 - But with some urgency
1. Increase engagement in U.S.
 - Protect what we have
 - The new cost of doing business



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