



TEAMALBERTA ADVANCING POLICY ON BEHALF OF ALBERTA'S CROP SECTOR

October 30, 2017

Canada–Pacific Trade Consultations
Global Affairs Canada
Trade Negotiations Division (TCA)
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2

Via email: TPP-PTP.Consultations@international.gc.ca

Re: Consultations on Canada's discussions with the remaining members of what was previously the Trans-Pacific Partnership

Following the encouraging news that the eleven remaining Trans-Pacific Partnership signatories (TPP-11) are actively engaged in coming to an agreement on a modified trade deal following the departure of the United States, Team Alberta would like to take this opportunity to encourage the federal government to actively cooperate with its trading partners in a modified TPP.

Team Alberta is composed of the Alberta Wheat Commission, Alberta Barley, Alberta Canola, and Alberta Pulse Growers. The 20, 000 farmer members of these organizations are trade dependent and have a strong need for free trade and open market access for Canada's agricultural products, as such we strongly support a TPP agreement with the remaining eleven countries.

Canadian grains and oilseed farmers are reliant on open access to international markets for their livelihood, as most of the canola, pulses, wheat, and barley crops they grow are exported.

- 90% of canola production
- 75% of pulse production
- 70% of wheat production
- 25% of barley production

Pursuing a modified TPP agreement would enhance current market opportunities for these commodities, and would also provide opportunities for future growth. TPP-11 countries together have a population of almost 500 million people with a combined GDP of 10.2 trillion (13.6% of global GDP). Moreover, countries within the TPP region are predicted to undergo high levels of economic growth in the future. Securing access to these markets now will help support producers' economic viability in years to come.

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Potential for Canadian Farmers

Despite the withdrawal of the United States, the TPP holds enormous potential for Canadian farmers, processors, and exporters.

- Countries within the TPP zone, such as Chile, Japan, Malaysia, Peru, and Vietnam, import more than 6 million tonnes of wheat annually, representing nearly 27% of Canada's wheat export market and valuing in at over \$1.5 billion in farm revenues.
- In, 2017, the remaining members collectively purchased over \$2 billion in canola seed, oil and meal. Japan, a long-term stable customer, bought \$1.2 billion in seed, Malaysia \$57 million in oil, and Vietnam \$4 million in meal.
- Reduced or eliminated tariffs and quotas for feed and food barley, malt and processed beef in the TPP region will translate into demand for barley of an additional 400 – 500 thousand tonnes and \$100 million in increased revenue through direct export and through domestic feed and malt processing demands

Furthermore, the Asia-Pacific region represents a rapidly growing market for Canada's high quality agricultural goods. Membership in the TPP-11 would grant Canadian farmers access to these growing markets and would encourage growth in Canada's agri-food sector.

Access to Key Markets

While the departure of the United States means that Canadian producers would not see the full extent of the economic benefits of the TPP, the modified agreement still holds immense potential and presents an opportunity for us to gain preferential trading over our competing U.S commodities. Much of this comes from preferential access to key markets.

For example, access to the Japanese market is of particular importance to Canadian wheat farmers. Japan already represents one of the most significant export markets for Canadian wheat, importing an annual average of nearly 1.5 million tonnes over the last 5 years. Measures included in the TPP, such as the 40,000 tonne Tariff Rate Quota (TRQ) for Canadian wheat, would expand access to this ever-important market.

Likewise, Canadian barley, for whom Japan is the third largest importer will stand to regain a foothold in the market which slide down by 75% between the period of 2012 – 2015 to our competitor, Australia who gained preferential tariffs on barley imports to Japan in that period. The

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TPP had proposed an increase in the barley TRQ from 25,000 MT to 65,000 MT over 9 years. Reductions in tariffs on beef down to 9% (from 38.5%) in 16 years will have impacts on domestic barley demand for feed.

Canada's major competitors such as Australia and the European Union hold bilateral trade agreements with Japan and other nations in the Asia-Pacific region. Canada's membership in TPP-11 ensures Canadian farmers can stay competitive. For example, Australia is the second largest canola exporter in the world and has \$1.2 billion of annual trade in canola seed with Japan. Starting in 2018, Australian canola will enjoy a 35% tariff advantage over Canadian canola, which will threaten our current exports to Japan. A new TPP which eliminated tariffs on value-added canola products would level the playing field for Canadian exporters of all commodities and increase value-added activity and jobs in Canada.

Future Benefits

Additionally, Involvement in the TPP would confer advantages to Canada in the future. Countries such as Thailand, the Republic of Korea, Indonesia, and the Philippines have expressed interest in joining the TPP. The potential also exists for the United States to rejoin the agreement at a future date. If Canada enters into an agreement prior to these countries' applications for membership, then we will be in a position to favorably influence the terms and conditions of the ascension of these new members.

The cost of non-participation in the TPP-11 is high. Should the deal fail as a whole, Canada will remain at a competitive disadvantage as major competitors like Australia and the European Union continue to enjoy preferential access to key markets. Should the agreement proceed without Canadian involvement, this disadvantage will only become more pronounced as competitors begin implementation of the TPP and take advantage of the increased market access that results.

For these reasons, Team Alberta encourages the Government of Canada to earnestly continue engaging with TPP-11 countries and to work towards ratification of a modified agreement. Doing so would position Canada as a leader among the TPP-11 nations, and as a champion of free trade. More, Canadian ratification would encourage other TPP-11 countries to do the same, and would push the agreement closer to full implementation. To date, only Japan and New Zealand have ratified the agreement, leaving a substantial void of leadership for Canada to fill. Finally, active participation in the TPP-11 would support Canada in other free trade talks, such as the ongoing NAFTA re-negotiations, as it would diversify market access and lessen reliance on any single market or region.

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Team Alberta welcomes the opportunity to further discuss the benefits of the TPP agreement and its importance to Canadian grain farmers. Please do not hesitate to contact us should you have any questions.

Sincerely,

Jason Lenz
Chair, Alberta Barley

Greg Sears,
Chair, Alberta Canola

D'Arcy Hilgartner,
Chair, Alberta Pulse Growers

Kevin Auch,
Chair, Alberta Wheat Commission

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