

## **Farmers Need the International Market and the International Market Needs Better Rules By Liam McCreery**

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I am a Canadian farmer and I need the international market. In fact, most of Canada's farmers do. We export well over half of everything we produce. Put another way, without exports, well over half of Canada's farmers would have to find something else to do. And it's more far-reaching than that. Even the products we sell here in Canada rely on the international market. I sell my soybeans internationally - they are priced in Japan. I sell my wheat to a local mill, but the price I get is set in Chicago.

It's easy to see that the international market is the future of my farm. It's not easy to accept that I don't get the prices I should get because my market is distorted by the policies of my competitors. In fact, every time I sell a bushel of wheat, I lose \$1.28 to the subsidies and tariffs of other countries.

It's pretty obvious that farmers in Canada can't continue this way. That's why farmers and processors and exporters are working together under the umbrella of the Canadian Agri-Food Trade Alliance to help government and its negotiators get an agreement at the WTO that will cut subsidies and reduce protectionism for our products.

Agriculture has only been subject to international trade rules for about a decade. In the 1980s Canada was caught in the crossfire of a ferocious subsidy war between the United States and the European Union. Prices hit rock bottom and our market share dropped by 40%. We joined with Australia and other trade dependent countries to demand new rules for agriculture trade. The Uruguay Round Agreement on Agriculture was signed in 1994.

But it wasn't perfect. The U.S. and the EU can still spend over \$US 100 billion on domestic subsidies to their farmers. These subsidies result in surpluses which are dumped in the international market, often using export subsidies. In fact 25 countries can still spend up to \$US 12 billion on export subsidies. Canadian producers, who receive far less support, either have to compete in these subsidy-depressed markets or try to find new markets for their products. Finding new markets isn't likely because the average tariff on agricultural products is 60% - compared with 4% for industrial products. That's why we need new rules.

The Doha Round of negotiations is our chance to put in place rules that will govern international trade for at least another decade. The mandate of this round is "to maintain the process of reform and liberalization of trade policies;" "to reject the use of protectionism;" and to ensure that the world's developing and least developed countries benefit from the increased opportunities presented by international trade.

The goals for agriculture are to eliminate the use of export subsidies; to substantially reduce trade distorting domestic subsidies; and to substantially improve market access. The WTO's 150 member countries have already agreed that export subsidies will be eliminated by at least 2013, and that trade distorting subsidies will be reduced, with countries who subsidize the most making the biggest cuts. They have also agreed that tariffs will be reduced with higher tariffs taking the largest cuts. While countries will be allowed to treat some "sensitive" products in a different way, they have also committed that access will be improved for those products. This is important for Canadian farmers, because the most "sensitive" products in the world are meat and grain products - our two biggest exports. Protection for sensitive products means that Europe won't have to open any more access to Canadian beef; India won't have to open access for Canadian canola oil and Korea won't have to open for

Canadian malting barley. It's critical to the wellbeing of our export oriented farmers that Canada aggressively negotiates for rules to ensure that better access is provided for all products.

Some, inside and outside of Canada think that there is too much at risk if we strive for better trade rules, and would prefer that we don't get a deal at all. I can tell you now that there is no such thing as the status quo. We think it's bad now, but even under current rules it could get a lot worse.

Big "emerging" producers like Argentina, Malaysia and Brazil are entering our traditional markets. They are very low cost producers, so they can compete on price, without subsidy. As they expand their market share and prices fall, the big subsidizers respond with subsidies, driving prices even lower. Between 2000 and 2004, when the United States' share of the international agriculture market fell from 12.9% of total exports to 10.2% , its spending on subsidies increased by 13%. And it could get even worse. Without an agreement the U.S. can increase its spending on domestic subsidies by one-third. The EU can almost double it support. And even though neither one is spending a lot on export subsidies right now, without a deal, they can. Under current rules they can spend billions of dollars to undercut international prices. Canada's export dependent sectors will be the losers because we will have to accept those lower international prices or get out of the markets. And we can't find other markets because tariffs are too high. In fact, some countries can increase their tariffs without notice.

The longer it takes the WTO to get an agreement, the more bilateral agreements get done by our big competitors. The United States is negotiating free trade agreements with many of our traditional markets that lower tariffs for our U.S. competitors, essentially allowing them to replace us in important markets like Colombia. Without a deal at the WTO, the U.S. will continue to do bilateral agreements, and other big guys like Europe will follow suit. Smaller, trade dependent economies like Canada will be left out in the cold.

That's why this round is so important to me and to all the other farmers in Canada who rely on international markets. That's why we need a deal at the WTO.