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CANADIAN AGRICULTURE AND THE CANADA-EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

Report of the Standing Committee on Agriculture and Agri-Food

Bev Shipley
Chair

MARCH 2014

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

has the honour to present its

FIRST REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the effects of it on the Canadian agriculture sector and has agreed to report the following:

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CANADIAN AGRICULTURE AND THE CANADA-EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

Introduction

On 18 October 2013, after four years of negotiations, Canada and the European Union (EU) announced that they had reached an agreement in principle on a Comprehensive Economic and Trade Agreement (CETA). This agreement would open up a new market of more than 500 million consumers for many sectors of the Canadian economy, including the agriculture and agri-food sector.

Expanding export markets is a recurring theme at the Standing Committee on Agriculture and Agri-Food ("the Committee"), which has made a number of recommendations on the subject in its recent studies. It was important for the Committee members to find out how industry was reacting to the CETA agreement in principle, so they held eight public meetings between 5 November and 10 December 2013, hearing from representatives of various Canadian agriculture and agri-food industries.

The report provides a brief overview of the agriculture components of the agreement and the initial reactions from the agriculture sector, and then focuses on CETA's potential impacts on Canada's agriculture and agri-food sector, particularly regarding the opening of new markets, competition from European products and freer trade through economic integration measures.

A. Agreement

1. Background

The signing of an agreement in principle for CETA is the culmination of years of effort to strengthen economic relations between Canada and the EU. This work began in 2004 with a framework agreement for a Trade and Investment Enhancement Agreement (TIEA), which ultimately did not see the light of day. Next, a joint study commissioned at the 2007 EU–Canada Summit in Berlin concluded that the Canadian and EU economies would benefit from a trade liberalization agreement. Finally, in March 2009, the *Joint Report on the EU-Canada Scoping Exercise* set out an extensive agenda for negotiations toward a CETA that would include trade liberalization and other measures to increase economic integration between the two parties. CETA negotiations officially began in May 2009 and culminated in October 2013 with the signing of an agreement in principle.

Despite this agreement in principle, technical discussions between Canada and the EU on CETA must continue: the legal text cannot be finalized until these discussions have concluded. If the outcome is positive, the two parties will conduct a legal review of the document, after which the text will be initialed by the two parties' negotiators and translated into all the official languages of Canada and the EU. Only after CETA has been translated will the two parties be able to officially sign it, and the legislators be able to approve it.

2. Description

While the particulars of the final agreement are still being negotiated, the summary of the agreement tabled in the House of Commons on 20 October 2013 is nonetheless relatively specific regarding agricultural products and certain related measures that will affect these products.

Under the agreement in principle, the EU will eliminate all duties on 93.6% of agricultural tariff lines. Tariffs on maple syrup, fresh and frozen fruits, dairy products and processed products (processed fruits and vegetables, oils, baked goods, flours, etc.) will be removed immediately. Tariffs on grains (wheat, durum, rye, barley and oats) will be eliminated over 7 years, but 8,000 tonnes of sweet corn will have immediate duty-free access.

CETA will also create a number of tariff rate quotas, particularly for meat products. The Canadian beef industry, for example, will benefit from 4 duty-free quotas totalling 64,950 tonnes. Bison meat will have a quota of 3,000 tonnes, and the Canadian pork industry will have a quota of 81,011 tonnes. Note that the animals must be raised according to a specific protocol that meets certain EU requirements, notably the ban on growth hormones in beef production.

As for access to the Canadian market, duties on 92% of Canadian agricultural tariff lines will be eliminated. Supply-managed products (poultry, eggs and dairy products) will not be affected except in two specific cases: the tariff rate quota (TRQ) for cheese will increase, giving the EU 16,800 tonnes of new market access. The milk protein substances tariffs will be phased out to give the EU the same access as the United States, and the Committee heard from the Dairy Farmers of Canada that it should be done over 10 years.

CETA also includes economic integration measures that will apply to the agriculture and agri-food sector. The agreement will establish a mechanism for regulatory cooperation, particularly regarding biotechnology and sanitary and phytosanitary measures. For example, the agreement will incorporate and update the existing Canada–EU Veterinary Agreement (signed in 2005). CETA will clarify the intellectual property regimes for plants and phytosanitary products and the EU's geographical indication (GI) protections for agricultural products. The technical summary also outlines a dispute resolution process that will be shorter than the one used by the World Trade Organization (WTO).

3. Initial reactions

A number of witnesses noted that their industries had been very involved in the negotiations to ensure that the resulting agreement met their expectations. Most industry associations had direct access to the Canadian negotiators.

> We have been actively engaged throughout the negotiations. We have engaged closely with the Canadian negotiators to provide advice and feedback during the negotiations. We have also met frequently with the EU negotiators and with representatives of the member states. We've also met with members of the European Parliament. We've made those efforts both here in Canada and in Brussels.[1]

The involvement of industry representatives in the negotiations certainly contributed to the agreement's positive reception in the agriculture and agri-food sector. With some exceptions, industry reactions to CETA were very positive. The range of products and services involved, the access granted and the economic integration measures included make CETA Canada's most important trade agreement since the North American Free Trade Agreement (NAFTA).

CETA covers a significant range of issues, including tariffs, non-tariff barriers, services and investment, financial services, government procurement and much more. As well, for the first time in the history of Canada's trade deals, the CETA covers issues that fall within the jurisdiction of provincial governments, leading to Canada's 13 provinces and territories having played a significant and important role during the negotiation process.[2]

Canada thus becomes the first large economy in the world to have a free-trade relationship with the United States and the EU. This dual access would confer an additional advantage on Canadian companies, who will be able to reach more customers and more markets, and attract more investment and other global companies looking to expand their markets and business opportunities.

Finally, gaining preferential access to the EU market before other similar negotiations between the United States and the EU begin gives Canada's agri-food industry a head start — some witnesses put it at four to five years — over its American competition.

B. Impact of the agreement: New markets

1. Direct benefits

The United States is currently Canada's largest trading partner, and most Canadian exports are sold on the American market. According to the Canadian Meat Council, Canada exports half of its beef, and about 80% of these exports go to the United States. Some witnesses reported that Canada's considerable dependency on the United States can have drawbacks. For example, the adoption of mandatory country of origin labelling (COOL) in the United States costs Canada's beef industry $640 million and its pork

1 House of Commons, Standing Committee on Agriculture and Agri-Food (AGRI), *Evidence*, Meeting No. 3, 2nd Session, 41st Parliament, 5 November 2013, 1535 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen's Association).

2 AGRI, *Evidence*, Meeting No. 3, 2nd Session, 41st Parliament, 5 November 2013, 1530 (Kathleen Sullivan, Executive Director, Canadian Agri-Food Trade Alliance).

industry $500 million each year.[3] The meat industry believes that the drawbacks would be mitigated if Canada had other markets.

A number of witnesses emphasized that limited access to only a few markets hurts Canada. To get the most for its products, Canada needs to have access to many markets. CETA will enable Canada to reduce its dependency on the United States and diversify its markets so that farmers have new opportunities and alternatives when trouble strikes.[4] A number of witnesses argued that CETA provides very attractive opportunities for Canada because it opens up a lucrative 28-country market.

Canadian agri-food exports to the EU are currently worth $2.4 billion.[5] The Canadian Agri-Food Trade Alliance believes that this figure could rise by virtue of the size of the European market, which has 500 million consumers. The Alliance estimates that, under CETA, Canadian agri-food exports to the EU could increase by $1.5 billion. This amount comprises $600 million for the beef industry, $400 million for the pork industry, $100 million in grain and oilseed products, $100 million in sugar-containing products and $300 million in processed products, fruits and vegetables, and biofuels.[6]

The additional $600 million in revenue for the beef industry equates to raising 500,000 head of cattle each year without growth hormones as per an EU protocol. The beef industry argues that not all conventional producers will need to switch to hormone-free production. According to the Canadian Meat Council, there are 500,000 cull beef cows every year in Canada in addition to cull dairy cattle and veal calves that already comply with the EU protocol. The Canadian Cattlemen's Association (CCA) asserted that there will be enough livestock produced without hormones to meet European demand.[7] In addition, the CCA indicated that there is growing demand for this type of products in North America and in countries like Russia and China; it could then have a trickle-down effect on Canadian processing plants to obtain the certification to process these animals.

The Canadian pork industry is pleased with the opening of the European market, as it will have preferential access to customers who consume nearly 20 million tonnes of pork each year, almost 30 times Canadian consumption. Imports make up only a small portion of European consumption. Under CETA, Canada's pork industry will be able to expand its

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3 AGRI, *Evidence*, Meeting No. 3, 2nd Session, 41st Parliament, 5 November 2013, 1640 (John Masswohl).

4 AGRI, *Evidence*, Meeting No. 6, 2nd Session, 41st Parliament, 21 November 2013, 1710 (Barry Senft, Chief Executive Officer, Grain Farmers of Ontario).

5 AGRI, *Evidence*, Meeting No. 3, 2nd Session, 41st Parliament, 5 November 2013, 1530 (Kathleen Sullivan).

6 Ibid., 1610.

7 AGRI, *Evidence*, Meeting No. 3, 2nd Session, 41st Parliament, 5 November 2013, 1625 (John Masswohl).

exports to the European market. Canada will have 81,011 tonnes of duty-free access, worth approximately $400 million.[8]

The grain industry also welcomes the agreement in principle because it will gain access to a significant and lucrative market. When CETA comes into force, the wheat industry will see tariff elimination over 7 years, as well as a duty-free transition to a quota of 100,000 tonnes for low- to medium-quality common wheat. According to Franck Groeneweg, Director of the Grain Growers of Canada, this increase is worth about $20 million.[9] In addition, CETA provides enormous opportunities for the canola industry, as the EU is experiencing a shortage of grain for animal feed and biofuel production. The EU's renewable energy policy calls for making biofuels 10% of its transportation fuel supply. Canola oil is an excellent raw material for producing biodiesel. Canada currently exports little canola for the biodiesel market.[10] By eliminating the tariffs on oils (including canola oil), which vary from 3.2% to 9.6%, CETA will enable Canada to increase its exports by $90 million annually.[11]

2. Indirect benefits

In addition to providing direct benefits to the meat industry by expanding quotas and reducing tariffs, CETA could, by virtue of these very provisions, indirectly benefit producers of some grains, such as barley. According to Canada's barley producers, the barley industry greatly depends on the livestock industry; more than 80% of the barley produced goes toward animal feed production. In 2012, Canada exported more than 1.4 million tonnes of barley. Barley growers believe CETA will enable them to increase their exports by opening new markets, which will strengthen the profitability and sustainability of the entire barley value chain.[12]

With respect to the sugar industry, CETA will benefit producers of processed foods containing sugar such as confectionery, baked goods and sweetened dairy products. Sugar is used to make many foods. Canada's sugar-containing food industry reports sales of about $18 billion, of which $5 billion comes from exports, representing a quarter of Canadian processed foods exports.[13] CETA could therefore lead to higher exports that

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8 AGRI, *Evidence*, Meeting No. 5, 2nd Session, 41st Parliament, 19 November 2013, 1540 (Darcy Fitzgerald, Executive Director, Alberta Pork Producers Development Corporation).

9 AGRI, *Evidence*, Meeting No. 4, 2nd Session, 41st Parliament, 7 November 2013, 1630 (Franck Groeneweg, Director, Grain Growers of Canada).

10 AGRI, *Evidence*, Meeting No. 9, 2nd Session, 41st Parliament, 28 November 2013, 1615 (Jim Everson, Vice-President, Government Relations, Canola Council of Canada).

11 AGRI, *Evidence*, Meeting No. 4, 2nd Session, 41st Parliament, 7 November 2013, 1630 (Franck Groeneweg).

12 AGRI, *Evidence*, Meeting No. 6, 2nd Session, 41st Parliament, 21 November 2013, 1535 (Brian Otto, Chairman, Barley Council of Canada).

13 AGRI, *Evidence*, Meeting No. 10, 2nd Session, 41st Parliament, 5 December 2013, 1540 (Sandra Marsden, President, Canadian Sugar Institute).

generate significant economic spin-offs, including more jobs. The Canadian Agri-Food Trade Alliance called this agreement a historic accomplishment for the sugar industry.[14]

RECOMMENDATION 1

The Committee recommends the approval of the Comprehensive Economic and Trade Agreement in parliament and all provincial and territorial governments to expedite the economic benefits it will bring to Canada's agriculture and agri-food sector.

3. Benefits yet to be determined

Unlike the meat industry, which assessed and quantified the potential benefits of CETA, some industries have not yet made such estimates. Moreover, some witnesses prefer to wait for the agreement's particulars before assessing the extent of its impact. While a number of witnesses believe CETA will create attractive new opportunities and stimulate economic growth, some said that the market needs to be carefully evaluated before making any decisions.

The fish and seafood industry noted that the European market was not a priority market because of certain limiting factors. Still, the trade agreement with the EU would provide attractive opportunities for niche products. Fish and seafood products are currently subject to tariffs of up to 25%, severely limiting access to the European market. Ratification of CETA would eliminate 96% of fish and seafood tariff lines immediately and phase out the remaining tariffs over a 7-year period.[15]

> With limited potential to increase farmed seafood production right now in Canada, any new markets require diverting products from existing markets. When you add the high tariff rates to the supply limitation, you can see why the EU has not been a priority export market to date. However, we have had some limited opportunity with high-value niche products, such as live oysters, value-added mussels, caviar and farmed sablefish.[16]

The wine industry is also interested in the export market, as it provides opportunities for growth, especially for premium products. In addition, the significant reduction in and elimination of tariffs on some food products make the European market more attractive. Most tariffs on EU wines entering Canada were reduced or eliminated in 2008–2009. When CETA comes into force, the remaining tariffs on wine will be completely eliminated. The Canadian wine industry will also benefit from the removal of EU import

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14 AGRI, *Evidence*, Meeting No. 3, 2nd Session, 41st Parliament, 5 November 2013, 1625 (Kathleen Sullivan).

15 AGRI, *Evidence*, Meeting No. 11, 2nd Session, 41st Parliament, 10 December 2013, 1530 (Ruth Salmon, Executive Director, Canadian Aquaculture Industry Alliance).

16 Ibid.

duties ranging from 18.5¢ to 45¢ per litre, a saving in the order of $200,000. All import duties on winemaking equipment entering Canada will also be eliminated.[17]

C. Opening of the Canadian market

1. Supply Management

Under CETA, Canada will become a relatively open market for most food products. Although the agreement protects supply-managed sectors of the economy, the dairy industry is the only sector under supply management that is impacted by CETA. Canada granted access to part of its cheese market segment. The dairy industry fears that this concession will enable European products to eat away at domestic market shares and lead to substantial economic losses.

> The EU receives an additional tariff-free access of 18,500 tonnes — 16,000 tonnes of "high-quality" cheeses, which is a term used by the EU; 1,700 tonnes of "industrial" cheeses; and 800 tonnes under the existing TRQ. This is over and above the already 13,471 tonnes the EU already has under the Canadian cheese TRQ.
>
> This gives them an additional exclusive access of 32% of the current fine cheese market in Canada, over and above the existing generous access. The EU access will then total 31,971 tonnes, or 7.5% of the Canadian cheese market. Imports from all countries move from 5% to 9% of total Canadian cheese market.[18]

The dairy industry estimated that the additional quotas granted to the EU would be the equivalent of a 2.25% cut in farm quotas. It argues that CETA would result in total losses of about $300 million annually. These figures, however, do not take into account that cheese consumption in Canada is growing by 6,000 to 8,000 tonnes per year. By the time CETA is fully implemented, cheese consumption will have grown by more than 17,700 tonnes. The dairy industry agreed with the growth but felt a distinction should be made between industrial and other cheeses.

Supply management has three pillars: production management, import controls and farm pricing based on production costs. The Canadian dairy industry argues that granting additional access to European cheeses and progressively eliminating duties on milk protein isolates will hurt the industry. Some dairy farmers argue that CETA could undermine one of the pillars of supply management. However, Wally Smith, President of the Dairy Farmers of Canada, confirmed to the Committee that the three pillars are still in place. This additional access could make it difficult to predict imports in the Canadian dairy market if they are not managed.[19] Therefore, the dairy industry recommends strengthening

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17 AGRI, *Evidence*, Meeting No. 11, 2nd Session, 41st Parliament, 10 December 2013, 1540 (Dan Paszkowski, President and Chief Executive Officer, Canadian Vintners Association).

18 AGRI, *Evidence*, Meeting No. 4, 2nd Session, 41st Parliament, 7 November 2013, 1530 (Wally Smith, President, Dairy Farmers of Canada).

19 Ibid.

the three pillars of supply management in order to maintain the industry's stability and vitality. It also requested a 10-year transition period to eliminate duties on milk protein isolates.

RECOMMENDATION 2

The Committee recommends that the Government of Canada continue its strong defense of supply-management to promote sustained growth and profitability in the supply-managed sectors of the economy.

2. Other Products

The greenhouse vegetable industry could also be affected by the arrival of European products on the Canadian market.

> While we are generally supportive of the agreement and efforts to expand Canadian trading opportunities, as representatives of the entire produce supply chain, we note that not all of our members will be affected in the same way, with some potentially benefitting from expanded markets in the EU and new sources to bring to Canada, and others potentially hurt by new or expanded entrants into the Canadian market. For example, Canadian greenhouse vegetable growers could be severely impacted should the agreement affect anti-dumping tariffs currently applied to Dutch bell peppers, set for expiry review in 2015 by the Canadian International Trade Tribunal.[20]

While the dairy and produce industries are concerned about the entry of European products into the Canadian market, the Canadian wine industry already competes with the huge presence of European wines in its market. Indeed, wine is the agricultural product that Europe exports to Canada most.

3. Support for competing with European products

To stay profitable and viable, the Canadian food industry will have no other choice but to be competitive if it wants to differentiate its products from European ones in its home market. Marketing therefore plays a key role in promoting Canadian products.

The Canadian wine industry is urging the government to support sales promotion in both the export and domestic markets. The industry would like funding for promoting Canadian wines to increase beyond the $220,000 currently provided by the AgriMarketing Program under the Growing Forward 2 policy framework.[21] As for the EU, it provides funding of approximately $34 million each year to promote European products in other countries through, for example, advertising and feature articles in magazines such as the

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20 AGRI, *Evidence*, Meeting No. 11, 2nd Session, 41st Parliament, 10 December 2013, 1645 (Jane Proctor, Vice-President, Policy and Issue Management, Canadian Produce Marketing Association).

21 AGRI, *Evidence*, Meeting No. 11, 2nd Session, 41st Parliament, 10 December 2013, 1545 (Dan Paszkowski).

one published by the Liquor Control Board of Ontario (LCBO).[22] Without sufficient investment in promoting Canadian wines, the industry will see liquor boards selling its competitors' products.

To spur its growth and enable it to compete with European wines, the Canadian wine industry is encouraging the government to adopt certain measures.

> European Union wines own a 50% market share in Canada […]. The federal government should level the playing field for Canadian grapes and expand the current excise duty exemption beyond 100% Canadian wines to include any Canadian grape content used in wines sold in Canada.[23]

4. Canadian industry competitiveness

To remain viable and profitable both domestically and internationally, the Canadian food industry must be competitive. Innovation, access to new technologies, regulatory streamlining and the development of value-added products are some of the factors that help make Canadian industry more competitive.

To attract consumers, the spirits industry has been innovating by developing new flavoured whisky products, such as Crown Royal Maple or Black Velvet Toasted Caramel.[24] Canadian farmers are looking out for innovations and new technologies at reasonable costs that would enable them to be more efficient and thereby enhance their competitiveness.

> As far as what's happening with the plants, I think some of the legacy dollars that have been coming from different levels of government have been helpful in providing new technology in those plants. […]. In Cargill's case in High River they have a new technology there that's using that, recovering steam, providing energy. […]
>
> In regard to the non-tariff barriers about carcass wash, whether it's lactic acid or steamed pasteurization, which has been an issue in the past in Europe, there's other technology such as ozonation that can be put into place. That's another thing that I think has some potential.[25]

D. Regulatory cooperation

According to the witnesses, CETA's value extends beyond reducing tariffs. The negotiations involved a broad range of important non-tariff issues such as technical

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22 Ibid., 1630.

23 Ibid., 1545.

24 AGRI, *Evidence*, Meeting No. 11, 2nd Session, 41st Parliament, 10 December 2013, 1640 (Jan Westcott, President and Chief Executive Officer, Spirits Canada).

25 AGRI, *Evidence*, Meeting No. 5, 2nd Session, 41st Parliament, 19 November 2013, 1555 (Bryan Walton, General Manager, National Cattle Feeders' Association).

barriers to trade, and sanitary and phytosanitary measures. These may be the most important obstacles facing Canadian agri-food product exporters today, and they have historically had a considerable impact on agri-food exports to the European market. CETA is the first bilateral agreement in which Canada has included provisions on regulatory cooperation. It provides for early engagement on regulatory matters, specific sectoral cooperation and input from industry groups to minimize barriers to trade. Regulatory cooperation mechanisms in CETA are a significant step towards reducing non-tariff trade barriers between Canada and the EU.

1. Safety and environmental standards

The difference in genetically modified organism (GMO) approval times in Canada and the EU is the most well-known obstacle to the free flow of agricultural products, but not the only one. Pesticide registration, approval of new carcass-decontamination technologies in the meat industry and changes to the European renewable fuels directive are a few examples of European regulations that could penalize Canadian exporters.

One of the agreement's most promising features is its enhancement of a working group that will study biotechnology issues to ensure they do not harm trade. The working group is tasked with reviewing GMO approval timelines and related policies and regulations. According to some witnesses, its mandate will also cover the issues surrounding the low-level presence of GMOs.

In fact, the working group will formalize already-established links between senior Canadian officials, notably those at the Canadian Food Inspection Agency (CFIA) and Health Canada, and their EU counterparts. Some witnesses specified that the goal of this cooperation is to promote discussions, not to change the European position on biotechnology or sell them on a particular vision. Trade has been blocked by the low-level presence of GMOs, and the industry wants to be able to free up trade in products that European consumers want to buy. In that vein, witnesses pointed out that the Europeans import many GMOs for animal feed.

In addition to the working group on biotechnology, the agreement would establish a framework for cooperation on the full range of animal health, plant health and food safety provisions. Some witnesses hope that Canada and the EU can take full advantage of the agreement to implement a synchronized approval process for new agricultural technologies and innovations. The witnesses pointed out that harmonization of the maximum residue limit (MRL) for pest control products is a crucial issue for Canadian producers. They need to be able to continue using safe and effective pesticides evaluated by Health Canada without worrying that the EU will block their exports.

RECOMMENDATION 3

The Committee recommends that the Government of Canada use the Comprehensive Economic and Trade Agreement with the European Union to move toward harmonizing and synchronizing approval processes for new agriculture and agri-food technologies.

Many witnesses are optimistic about the opportunities in this agreement. They indicated, however, that they had to cope with non-tariff trade barriers in the past and they hope that the agreement would prevent the use of these barriers to restrict trade. CETA provides for a dispute resolution process. The witnesses were delighted that the goal is to establish a much faster process than the WTO process. The Canadian agriculture and agri-food sector has direct experience with the problems caused by inefficient mechanisms, and witnesses agreed that the WTO system is too slow for a trade agreement.

2. Rules of origin and geographical indications

Rules of origin and intellectual property rules can also limit export opportunities. The Canadian organic agriculture industry is a trailblazer when it comes to mutual recognition of rules and standards with trading partners. In 2011, Canada and the EU signed an organic equivalency agreement that allows Canadian organic products to be imported into EU member states without going through a second round of certification and inspection. However, the rules of origin established after the signing have gradually reduced the scope of the agreement.

> Single ingredient products and a few multi-ingredient products that are exclusively 100% Canadian ingredients can go to the EU market. Meanwhile, value-added products made here in Canada by Canadian companies with Canadian ingredients that are perhaps sweetened or flavoured with cinnamon or vanilla have to go through a secondary full inspection of all their ingredients, down to origin. It's quite costly and not very conducive for business.[26]

The fertilizer and sugar industries also identified rules of origin as a potential problem. However, according to the fertilizer industry's representatives, its practices comply with the terms and conditions of the agreement. Refined cane sugar, which accounts for 90% of Canadian sugar production, will not benefit from the gradual elimination of duties because it does not adhere to CETA rules of origin; on the other hand, refined beet sugar will benefit from duty elimination. Yet the agreement does include derogations with looser rules of origin for products with a higher proportion of imported inputs, notably those containing sugar. For example, the agreement provides for quotas of 10,000 tonnes for confectionery and 35,000 tonnes for certain processed foods such as baked goods and breakfast cereals.

Canada also agreed to various measures to address the EU's requests regarding 179 terms or GIs for food and beer. However, it appears that the number of products facing import competition in Canada is much lower than that. The GI system for food is almost unique to the EU, as Canada prefers trademarks or, in the case of cheeses

26 AGRI, *Evidence*, Meeting No. 9, 2nd Session, 41st Parliament, 28 November 2013, 1635 (Matthew Holmes, Executive Director, Canada Organic Trade Association).

and prepared meats, “common names” that correspond to a standard of identity (for example, cheddar).

As a result of the recognition of some European GIs, Canadian cheeses exported to Europe will have to use specific modifiers for some popular types of cheese, such as feta. This means their names must be accompanied by expressions such as “kind,” “type,” “style” or “imitation”. In the Canadian market, the impact of this recognition is not yet well understood. For example, the meat industry would like to know the exact wording of the GI provisions before the agreement is signed and wants to ensure that European products cannot be marketed as superior to current Canadian products simply because they come from Europe.

Although Canada has no GIs that it could ask the EU to recognize, representatives of the maple syrup industry suggested seizing this opportunity to ask the EU to protect the term “maple syrup”. They noted that in Europe, the word “maple” is commonly used for products that do not contain maple syrup.

RECOMMENDATION 4

The Committee recommends that the Government of Canada work with industry to ensure that the term “maple” is adequately recognized by the European Union so that maple products are not subject to unfair competition from substitutes.

Conclusion

With a few exceptions, the Canadian agriculture and agri-food sector reacted very positively to the CETA agreement in principle. Being first in the developed world to enjoy preferential access to both the American and European markets puts Canada’s agriculture and agri-food sector in an ideal position for the years ahead. However, Canada must examine the particulars of the final agreement and its application, particularly in the areas of regulatory cooperation, rules of origin and geographical indications. Still, the benefits of the agreement are obvious, and the sector is largely eager to move forward and take advantage of the new markets being opened.

RECOMMENDATION 5

The Committee recommends that the Government of Canada continue to pursue additional comprehensive trade agreements to open new markets and provide opportunities for growth for Canadian agricultural and food exporters.

LIST OF RECOMMENDATIONS

APPENDIX A
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Canadian Agri-Food Trade Alliance	2013/11/05	3
Kathleen Sullivan, Executive Director		
Canadian Cattlemen's Association		
John Masswohl, Director, Government and International Relations		
Canadian Meat Council		
James Laws, Executive Director		
As an individual	2013/11/07	4
Roslyn Kunin		
Dairy Farmers of Canada		
Richard Doyle, Executive Director		
Wally Smith, President		
Glengarry Cheesemaking Inc.		
Margaret Peters Morris, President		
Grain Growers of Canada		
Franck Groeneweg, Director		
Janet Krayden, Analyst		
Alberta Pork Producers Development Corporation	2013/11/19	5
Darcy Fitzgerald, Executive Director		
Canadian Pork Council		
Martin Rice, Executive Director		
Jean-Guy Vincent, Chair		
Canadian Restaurant and Foodservices Association		
Susan Senecal, Chair of the Board of Directors; Chief Marketing Officer, A & W Foodservices of Canada Inc.		
Garth Whyte, President and Chief Executive Officer		
National Cattle Feeders' Association		
André Roy, Member; Executive Director of the Fédération des producteurs de bovins du Québec		
Bryan Walton, General Manager		
Alberta Barley Commission	2013/11/21	6
Lisa Skierka, General Manager; President, Canadian Agri-Food Trade Alliance		

Organizations and Individuals	Date	Meeting
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Grain Farmers of Ontario		
Barry Senft, Chief Executive Officer		
Pulse Canada		
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Canadian Fertilizer Institute		
Robert Godfrey, Director, Policy and Government Relations		
Clyde Graham, Vice-President, Strategy and Alliances		
Canola Council of Canada		
Jim Everson, Vice-President, Government Relations		
Western Grain Elevator Association		
Carsten Bredin, Board Member; Assistant Vice-President, Grain Merchandizing, Richardson International Limited		
Jean-Marc Ruest, Board Member; Senior Vice-President, Corporate Affairs and General Counsel, Richardson International Limited		
Wade Sobkowich, Executive Director		
Richard Wansbutter, Chair; Consultant, Viterra		
Canadian Renewable Fuels Association	2013/12/05	10
W. Scott Thurlow, President		
Canadian Sugar Institute		
Sandra Marsden, President		
Mike Walton, Vice-President, Sales and Marketing, Lantic Inc.		
Canadian Aquaculture Industry Alliance	2013/12/10	11
Ruth Salmon, Executive Director		

Organizations and Individuals	Date	Meeting
Canadian Horticultural Council	2013/12/10	11
Anne Fowlie, Executive Vice-President		
Keith Kuhl, President		
Canadian Produce Marketing Association		
Jane Proctor, Vice-President, Policy and Issue Management		
Canadian Vintners Association		
Dan Paszkowski, President and Chief Executive Officer		
Spirits Canada		
C.J. Helie, Executive Vice-President		
Jan Westcott, President and Chief Executive Officer		

APPENDIX B
LIST OF BRIEFS

Organizations and Individuals

Canadian Aquaculture Industry Alliance

Canadian Horticultural Council

Citadelle, Maple Syrup Producers' Cooperative

Dairy Farmers of Canada

Glengarry Cheesemaking Inc.

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 3, 4, 5, 6, 7, 9, 10, 11, 16, 17, 18) is tabled.

Respectfully submitted,

Bev Shipley

Chair

Supplementary Opinion from the New Democratic Party

While the NDP welcomes progress on the trade agreement with Europe, we wish to point out that negotiations are still ongoing and that a few sensitive issues are still being discussed. New Democrats remain cautious and will take a careful look at the fine print of the final agreement. The NDP will support an agreement that boosts our exports and trade opportunities while not hampering the government's ability to defend the interests of Canadians and protect the public. Although the details of the CETA released so far have led several of the witnesses to speak in favour of the agreement, the fact remains that certain industries have raised legitimate concerns.

According to Wally Smith, President of the Dairy Farmers of Canada, "[t]he additional access is equivalent to a 2.25% cut in farm quota, representing a farm income loss of nearly $150 million a year." As to what measures the government should put in place to mitigate the agreement's impact on the dairy industry, particularly during the tariff phase-out period, Mr. Smith said that "it should be no less than ten [years].... I refuse to consider the idea that supply management would be phased out under any way, shape, or form."

According to James Laws, Executive Director of the Canadian Meat Council, "Canadian manufacturers of prepared meats are concerned with the concessions on geographical indications given to the EU and they're concerned that there may have been no reciprocity … These meat companies may lose their trademarks for products estimated to have an annual retail sales value of over $25 million."

Keith Kuhl, President of the Canadian Horticultural Council, said that "[f]ood safety is imperative in the produce industry in an area where it is essential that all are held to the same standards. … It will be crucial that governments in both Canada and the EU strive for joint recognition of industry-led food safety programs." To address these concerns, our recommendations are as follows:

Recommendation 1

The government must keep its promise to dairy and cheese producers, who will be affected by CETA, by revealing details as quickly as possible about the financial compensation to be provided. It must also make the Agreement implementation period as long as possible, bring an end to practices that circumvent tariff quotas and misclassify products at the border, uphold high quality standards by imposing the same production and processing requirements on imported products, and commit to providing support for commercialization.

Recommendation 2

The government must ensure that the system of protection for geographical indicators is fair and transparent and assists in defending Canada's interests.

Recommendation 3

The government must ensure transparency in the harmonization of health standards, while ensuring that public safety is never put at risk.