

Canada hurting itself with protectionist practices in agriculture: report

BY JULIAN BELTRAME, THE CANADIAN PRESS JULY 31, 2013

OTTAWA - Canada is only hurting itself by maintaining high protectionist barriers on its agriculture sector, says a report which cites Canadian tariffs on agricultural imports as among the highest among food exporting nations.

The paper, from the Conference Board, notes that Canada has talked a good game about liberalized trade — particularly on launching free trade talks with major economies in Europe and Asia — but has not acted when it comes to the highly-protected agricultural sector.

The report argues there is a big potential payoff in freeing trade in food, particularly as Canada already exports significantly more food products than imports, by a ratio of about 60 to 40 per cent.

"The Canadian food industry can become more prosperous by serving fast-growing markets... and consumers benefit from a greater variety of food products at lower costs," said Michael Burt, the director of industrial economic trends for the Ottawa-based think-tank.

"The only thing preventing Canada from gaining these benefits is ourselves."

The report makes clear, however, that liberalizing trade would result in some losers as well as winners, with the highly protected dairy industry falling squarely in the former category.

"A (deal) between Canada and the European Union, with complete trade liberalization of the food sector, would lead to resources shifting from the production of milk and dairy to other segments such as grains, oilseeds and other processed food," it explains.

"(Overall) as a result of a more efficient use of our resources, the food sector would see a significant increase in both output and exports," the report concludes.

Agriculture is a key sticking point holding up a free trade agreement with the European Union, although sources suggest the impediment involves European barriers to imports of beef and pork from Canada.

Canada is believed to have agreed to lower tariffs on European cheese exports if a deal is finalized, but the federal government has insisted it will not sacrifice the supply-management regime that protects Quebec and Ontario dairy farmers.

Agriculture also figures to be one of the more difficult issues to crack in the TransPacific Partnership talks and negotiations with Japan, two other free trade fronts Canada has opened in an effort to diversify its exporting sector.

In an interview, Burt does not advocate unilaterally dropping tariffs, noting that other nations also protect their food sector. But says Canada's walls are unusually high compared to other like nations that are significant net food exporters.

Through the controversial supply-management regime, Canada imposes 246.8 per cent tariffs on dairy imports. It also maintains high tariffs barriers on animal products (30.5 per cent); cereals and preparations (20.3 per cent) and even 10.4 per cent levies on coffee and tea.

Meanwhile, other net food exporting nations like Australia, New Zealand and Chile have chopped its tariffs to single-digits.

Canada fares better in a comparison that includes non-tariff barriers, although the report says that measure is more difficult to assess, since it is based on existing trade flows.

As well, the paper calculates that Canadian tariffs are comparable to the U.S. and the EU, although levels vary depending on the sector being protected.

But overall, Burt says Canada's walls against food imports are too high, and in some cases — such as with wheat, barley, beef and veal — unnecessary.