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National Farmers Union, Region 1, District 1 (Prince Edward Island)
Presentation to the House of Commons' International Trade Committee

Public Consultation on the Trans-Pacific Partnership Agreement (TPP)

Tuesday, September 27, 2016
Charlottetown

The National Farmers Union (NFU) opposes the Trans-Pacific Partnership Agreement (TPP) and recommends it not be ratified by Canada.

Our comments will focus on the damage the TPP would do to Canada's Supply Management system, particularly for dairy; the harm its procurement rules would do to local food system development; its lack of benefit to other aspects of agriculture; and the unacceptable restriction on the sovereignty of democratically-elected governments that would result from the TPP's Investor-State Dispute Settlement mechanism.

TPP and Supply Management

Supply Management rests on three pillars: production discipline, import controls and cost-of-production pricing. All three are interlocked, so that weakening one pillar weakens the whole system. In the first five years of the TPP agreement, the other eleven TPP countries would gain tariff-free access to 3.25 per cent of Canada's current dairy market, 2.3 per cent for eggs, 2.1 per cent for chicken, two per cent for turkey and 1.5 per cent for broiler hatching eggs. In subsequent years tariff-free access to these markets would increase.

The governments of TPP members USA, New Zealand and Australia have embraced an export-oriented approach to dairy, which has resulted in extended losses for their farmers as world milk prices fell drastically. Instead of disciplining their producers to match demand, these countries aim to sell more milk by prying open Canada's market. However this will not solve their problem -- selling more at prices below the cost of production will simply increase the volume of their losses, deepen debt and push farmers out of business.

Canada's TPP side letter with Australia says *"Canada confirms that Australian dairy products, including those imported under HS Chapter 3504 such as milk protein concentrates, can be utilised in dairy processing in Canada to the fullest extent possible, including in cheesemaking."* Milk protein concentrate imports are highly controversial and are used by processors to replace domestically produced milk.

The TPP agreement would require 80% of fluid milk imports to be processed in Canada. Canada's side letter with the United States commits both countries to immediately begin assessing the equivalency of each other's pasteurized fluid milk food safety regulations, with the assessment to be done by the end of 2017. A determination of equivalency would open the door to US-produced fluid milk being processed in Canada, even though US regulations allow double the somatic cell count, a key indicator of quality and herd health.

The text of the TPP together with these two side letters would deny Canadian farmers full access to our domestic dairy market and transfer a significant portion to non-Canadian producers. Canadian dairy consumption is growing slowly because changing tastes and aging demographics have resulted in reduced per capita consumption of dairy products. TPP market concessions add on to those given away previously through the WTO, and, if ratified, CETA. Each deal chips away at Canadian farmers' share of our own domestic market by increasing the amount of tariff-free imports allowed.

The brunt of this market loss in our supply managed sectors will be felt by young people who aspire to become dairy, egg, chicken or turkey farmers. Without the market to support new entrants they will be denied the opportunity. Some retirement-age farmers may be willing to take a payout in compensation for TPP-related losses. The NFU rejects that option because it is an injustice to future generations.

TPP and Local Procurement

The TPP's local procurement rules mean governments and public agencies could not implement programs to purchase local farm products as a way to support the vitality of local agriculture. If ratified, the TPP, like CETA, would prevent governments from putting local content requirements into procurement contracts and would require all governments to use a tendering system to give corporations in TPP countries an equal chance to supply these goods and services. If the foreign companies are the successful bidders, the jobs, profits and multiplier effects from filling those contracts would occur outside of Canada. Procurement rules unfairly pit locally-owned companies against large corporations.

TPP and Agricultural Trade

Most of Canada's trade with TPP countries already has low or no tariffs on agricultural products. Canada already has trade agreements with the USA, Mexico, Chile and Peru. For other TPP countries, the relative exchange rate of our currency and/or the cost of transportation are larger factors in the competitiveness of our agricultural commodities than tariffs.

It is important to remember that for agriculture commodities being more competitive means selling for lower prices, potentially below the cost of production. Increasing the volume of exports, when the price obtained is not adequate to cover farmers' costs, does not benefit producers. For example, we observe severe negative impacts on farmers in New Zealand, Australia, and EU where the dairy sectors are export-oriented and prices have fallen drastically and remained below the cost of production due to the continuing imbalance between dairy supply and demand on world markets.

When the single desk Canadian Wheat Board (CWB) existed, Japan was a significant market for our wheat and was willing to pay premium prices. This was due to the CWB's ability to segment the market for Canadian wheat and barley, consistently meet and exceed customer specifications, and deliver on time. Our success in the Japanese market was based on quality and service, not price. The returns from premium markets were paid to Canadian farmers, enriching the national economy. We would urge Canada to reinstate farmer-controlled single desk marketing for grain so that we can regain our international reputation and the markets that go along with it. This would be a better trade strategy than what the TPP offers.

TPP's ISDS mechanism and democratic sovereignty

The TPP's Investor-State Dispute Settlement (ISDS) mechanisms gives foreign investors (but not home-grown businesses) the privilege of suing governments for lost future profits through tribunals set up through the World Bank's International Centre for Settlement of Investment Disputes (ICSID). These tribunals operate outside of any country's courts, and demonstrate bias towards corporate interests. Tribunals are made up of trade lawyers who benefit from ISDS cases, as they provide an opportunity to collect lucrative fees and a share of the awards when a corporation succeeds in an action against a country.

ISDS mechanisms create a "regulatory chill" that stop countries from passing laws and regulations to protect the public for fear of being sued by corporations that might lose future profits as a result of the new rules. Canada's previous federal government severely weakened our regulatory infrastructure through a series of omnibus bills and regulatory amendments. If Canada ratifies the TPP, it will be very difficult for current and future governments to re-build Canada's capacity and legal authority to protect the public interest.

There is a very clear conflict between ISDS and effective action to confront climate change. Canada has signed on to the Paris Agreement and made a commitment to reduce greenhouse gas emissions to prevent global temperature from rising more than 2 degrees. It is likely that measures to achieve this important goal will require regulations that make it more costly for some businesses. The TPP would allow these corporations to sue governments for compensation for lost future profits. Governments need to address climate change and should not be held hostage to these private interests. The NFU supports effective climate action because farmers' livelihoods are directly affected by the climate, and often negatively affected by the changing climate.

Trade deals like TPP are only superficially about trade – they are ultimately designed to limit the authority of national governments over their own economies and to expand the scope and power of multinational corporations. These deals contain ratchet mechanisms, such as Investor State Dispute Settlement, that make it difficult, if not impossible, for countries to roll back concessions to corporations and reclaim democratic control. The Canadian government would abdicate much of its jurisdiction over important areas of public policy and put these powers into corporate hands by ratifying the TPP. Such a move would be anti-democratic and contrary to the interests of Canadians, including future generations.

Respectfully submitted by

National Farmers Union, Region 1, District 1 (Prince Edward Island)