



TPP signed, consultations underway

On February 4, International Trade Minister Chrystia Freeland signed the Trans Pacific Partnership (TPP) agreement in New Zealand, but said that this should not be seen as an endorsement of the deal. The federal government has begun a broad-based consultation process, which includes the opportunity for Canadians to send their thoughts via email to TPP-PTP.consultations@international.gc.ca. Citizens groups including the Trade Justice Network, of which the NFU is a member, are calling for a rigorous public debate on the impacts of the TPP, including public hearings in each province and territory.

After being negotiated behind closed doors, the TPP text was finally made public on November 5, 2015. It is over 5,000 pages long and covers a vast range of issues. Other organizations are highlighting the TPP's implications for non-agricultural sectors. The NFU has focussed on two main areas of concern: the Investor State Dispute Settlement (ISDS) provisions and the implications of its Supply Management concessions, particularly for dairy. In addition, we have begun to look at the implications of the TPP's government procurement measures as they might affect local food systems.

TPP and ISDS

The Investor State Dispute Settlement (ISDS) provisions of the TPP are like a set of policy handcuffs that lock in member countries' existing laws, policies and regulations by giving foreign corporations the power to sue for compensation if a government enacts new measures that reduces their expected future profits. Canada is already subject to an ISDS clause under the North American Free Trade Agreement's Chapter 11. It has allowed American and Mexican corporations to sue Canadian governments (provincial as well as federal). Canada has paid over \$172 million in settlements, and spent tens of millions on legal costs fighting these cases. The money wasted is a concern, but not as serious as the chill on effective legislation to protect the public interest. The TPP's ISDS chapter would extend the ability to sue Canada's governments to corporations based in all TPP countries.

The Liberal government's federal campaign election slogan was "Real Change". Election results indicate that Canadian voters agreed that real change is needed. The omnibus bills passed under the Harper government, including Bill C-38, which removed habitat protection from the Fisheries Act, and Bill C-18, which enacted the UPOV '91 compliant Plant Breeders' Rights Act, were opposed by large citizens' movements. If the TPP is ratified, any of the

previous government's laws and regulations still on the books will be that much harder to repeal or amend. The foreign corporations that benefit from them will be able to sue for compensation from Canada under the TPP's ISDS measures.

TPP and Dairy – Quantity and Quality issues

The TPP would immediately allow imports equal to 3.25% of Canada's current milk supply, phased in over the first six years, with increases of 1% (compounding) per year for the following 13 years. The TPP would also allow unlimited imports of whey powder starting in year 10. Canada signed on to a side agreement with Australia where "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." Another side agreement commits Canada and the US to assess the equivalency of their respective food safety systems for milk products in terms of public health outcomes.

Canada's supply management system means our dairy farmers are not subject to wild fluctuations in supply and the ensuing price volatility. It also means that Canadian farmers have the confidence in future revenues to invest in quality and food safety protection measures. The supply management

(continued on page 2...)

(TPP signed...from page 1)

system will only continue to deliver these benefits if its three pillars – import controls, producer discipline and cost-of-production pricing – remain intact. The TPP obviously impinges on import controls, but also undermines pricing.

The initial 3.25% increase in imports allowed under the TPP has a larger effect than might appear at first glance. Canada's demand for milk is slowing, due to demographics and changing consumer preferences. The population of Canada is growing at just under 1% per year, according to Statistics Canada, and the age structure is shifting towards older people. These trends mean the Canadian market for dairy products will grow more slowly than the market share the TPP would provide to imports from other countries. Thus, the TPP would actually shrink the total market available for Canadian dairy farmers. This undermines current farm incomes, and reduces the capacity of the marketing boards to support new entrant farmers with loans or grants of quota.

The TPP would also flood the Canadian market with milk protein products, adding a cost burden to Canadian farmers and putting pressure on the farm-gate price for milk. New technology allows processors to separate protein from fluid milk to create a new type of product called Milk Protein Isolates (MPIs). MPIs are traded internationally because they have a long shelf life, are easily stored and can be added to certain dairy products to increase yields and processors' revenues. Due to NAFTA, the USA can already export milk protein ingredients, along with whey products, into Canada. Surplus MPI levels have increased in recent years as consumers' preferences have switched back to butter now that trans fats are known to be unhealthy. The TPP would make this situation even worse. In addition to removing all remaining Canadian tariffs on US whey after 10 years, the TPP would allow New Zealand to increase its dairy exports to the USA. To relieve the pressure on its own market, the US would export even more of its surplus whey and MPIs to Canada.

A TPP side agreement commits Canada and the USA to assess whether their respective food safety regulatory systems for dairy are equivalent in terms of public health outcomes. Two differences stand out: unlike Canada, the USA allows the use of the genetically engineered cow growth hormone, rBGH, to be used to stimulate milk production and permits nearly double the somatic cell count in milk. Somatic cell count is the main indicator of milk quality and their increase is an indication of an udder infection. The use of rBGH results in higher rates

of udder infections. Canadian dairy farmers, the NFU, consumers, and whistle-blower scientists fought to prevent the approval of rBHG and were successful in getting it banned for use in dairy cattle. The rationale for the ban was the negative effects of rBGH on animal health and welfare. In terms of milk quality and animal welfare, Canada's standards are clearly higher than the USA's.

An equivalency assessment of the two countries' regulatory systems only makes sense if milk from one is to be sold in the other. The TPP would require 85% of milk imported to be processed in Canada. Thus, the assessment of equivalency of food safety systems indicates the intention to mix Canadian-produced and imported American fluid milk when bottled in Canada.

The side letter between Canada and Australia commits Canada to importing MPIs from Australia and using it instead of Canadian milk protein in cheese making. This will benefit Canada's largest dairy processor, Saputo, the Montreal-based multinational dairy, which in addition to its USA operations, is expanding in Australia after acquiring Warrnambool Cheese and Butter in 2013.

Procurement

The TPP would require Canada's public procurement to abide by TPP rules for purchases above certain thresholds. The TPP would supersede NAFTA's procurement measures. The TPP rules are extensive and include detailed instructions regarding how to create, publish and make decisions on government tenders to ensure that foreign companies are treated no less favourably than national companies. Each country has a list of government entities whose procurement is covered by the TPP. Canada's list, which includes federal and provincial governments and various public agencies, is posted at <http://tinyurl.com/zerps9s>. The TPP also commits countries to further negotiations, starting in year 3 of the agreement, seeking to expand the TPP's procurement coverage. This could make it more difficult for governments, including municipalities, schools, hospitals and prisons, to use procurement to promote the development of local food systems in Canada. ☞

NFU Website

We have a section on our website devoted to the TPP with a link to the full text where we will post new information and analysis from time to time.

Please check <http://www.nfu.ca/issues/trans-pacific-partnership-tpp> for the latest updates.