

October 29, 2020
Executive-Assistant
Canadian International Trade Tribunal
15th Floor
333 Laurier Avenue West
Ottawa, Ontario K1A 0G7 E-mail: citt-tcce@tribunal.gc.ca

Dear Mme Executive-Assistant,

Re: USDA Market Facilitation Program Subsidies' Injury to Canadian Soybean Producers

The National Farmers Union, the only Canadian farm organization incorporated through an Act of Parliament, is writing on behalf of soybean producers injured by the subsidy competitors in the United States have enjoyed as a result of the USDA's 2018 and 2019 Market Facilitation Program (MFP) payments. The MFP program was created by the USA under their Trade Mitigation Program (TMP) as a response to the trade war and tariffs between China and the USA. On Sept. 4, 2018 Secretary of Agriculture Purdue announced the MFP to assist its farmers suffering as a result of unjustified trade retaliation by foreign nations. The USDA authorized up to \$12 billion in programs, which they claimed was consistent with World Trade Organization (WTO) obligations.

Tensions, accusations and rhetoric between China and the USA escalated through 2018 and into 2019. USDA support for its producers affected by Chinese tariffs reached a new high on May 23, 2019 when Secretary Purdue announced \$16 billion would be forthcoming under their 2019 MFP. The two payments would be distributed to their producers on average, as illustrated:

	2018 MFP payment	2019 MFP payment
corn	.01/bu.	.14/bu.
soybeans	1.65/bu.	2.05/bu.
wheat	.14/bu.	.41/bu.
hogs	8.00/head	11.00/head

MFP soybean payments to US producers totalled \$7.26 billion for the two years. Some have suggested these payments may benefit producers in more federally partisan counties, adding a unique facet to agricultural support programs in the world. Some also question the legality of the USA starting the tariff war with China in the first place. ([Is the China trade war legal?](#) The Hill, Sept. 28, 2018 and [Trump's China tariffs violate global trade rules, WTO says](#), Washington Post, Sept. 15, 2020)

Two USA agriculture universities calculated the difference between actual Chinese tariff injury to USA producers and the MFP total payments, and concluded the tariff response was excessive, and thus functioned as a domestic subsidy. According to the University of Kentucky, only \$0.36/bu. of the 2018

MFP payment of \$1.65/bu. was for actual injury; Texas Tech University calculated actual injury at \$1.09/bu. ([U.S. Trade Bailout Overpaying Farmers for Damage Done](#), Ontario Farmer, Jan. 24, 2020)

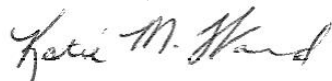
The difference is a subsidy hidden under the pretence of a trade war injury. Furthermore, the WTO Committee on Agriculture suggests that the USA has likely exceeded its WTO-imposed limits on domestic support for agriculture for the past 2 years. ([WTO committee looks at COVID-19 farm measures](#), by D.C. Fraser, Farmtario, August 28, 2020)

According to Soy Canada, Canadian production in Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan and Alberta totalled 7,416,600 m.t. (272,560,050 bu.) in 2018 and 6,045,100 m.t. (222,157,425 bu.) in 2019.

Chapter 10 of the Canada-United States-Mexico Trade Agreement (CUSMA) identifies member country rights and obligations and the designated investigative authority tasked with examining possible violations by trading partners. In the integrated North American marketplace, the Canadian soybean producers' are directly affected by the domestic subsidy hidden within the USDA Market Facilitation Program. Import-export statistics posted on [Trade Data Online](#) show that Canada's soybean imports from the USA and Canada's soybean exports to China nearly doubled in 2019 after the MFP went into effect; Canadian production was similar to the previous year ([AAFC Outlook for Principal Field Crop Full Reports](#)), yet prices went down slightly ([Grain Farmers of Ontario](#)). These facts suggest that the MFP program allowed traders to purchase imported subsidized US soy at lower prices, causing prices to Canadian producers to go down and denying our farmers the opportunity to benefit from high Chinese demand. We believe the injury to Canadian farmers is clear, and that a proper investigation into the extent of harm is needed.

The NFU therefore requests the assistance of the CITT in determining both the legality and the impact of the USDA's MFP under the WTO and the CUSMA, and if trade injury is deemed to have occurred, establishing what remedies are available for any breeches of the spirit and intent of both rules-based trading regimes.

With thanks,



National Farmers Union – Katie Ward, President



NFU-Ontario – Don Ciparis, President