Canadian Horticultural Council | Conseil canadien de l'horticulture

The voice of **Canadian fruit and vegetable growers**

Presentation by the Canadian Horticultural Council

to the

House of Commons Standing Committee on

Agriculture and Agri-Food

June 6, 2017

<u>Topic</u>: Non-tariff trade barriers to the sale of agricultural products in relation to free trade agreements

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Mr. Ken Forth, Chair, CHC Trade and Marketing Committee

Good afternoon.

Thank you for the opportunity to come here today and discuss some of the non-tariff trade barriers that are affecting members of the Canadian Horticultural Council (CHC).

CHC is an Ottawa-based voluntary, not-for-profit, national association that represents fresh fruit and vegetable growers across Canada involved in the production of over 120 different types of crops on over 27,500 farms, with farm cash receipts of $5.5 billion in 2015. Since 1922, in collaboration with members and the government, CHC has advocated on issues with long-lasting impacts on Canada's horticultural sector, promoting healthy, safe and sustainable food, and ensuring the continued success of our industry.

Global competitiveness is a high priority for CHC members, and we welcome all opportunities for collaboration with the Government of Canada, to prioritize agriculture as a key sector for the Canadian economy and to meet the goal of increasing agri-food exports to $75 billion by 2025. While we look forward to growing new markets through free trade agreements, there are a number of non-tariff trade barriers that should be considered when negotiating Canada's free trade agreements.

1. Maximum residue limits (MRLs)

Canada's Maximum Residue Limits (MRLs) are set by Health Canada through the Pest Management Regulatory Agency (PMRA). Health Canada sets science-based MRLs to ensure that the food Canadians eat is safe. The MRLs for each pesticide-crop combination are set at levels well below the amount that could pose a health concern.

When Canada and another trading country do not agree on MRLs, it means the risk assessments conducted in each country differ in the amount of pesticide determined to be acceptable to remain on certain produce when it enters the market. This poses a huge technical barrier for imports and exports.

For example, Nova Scotia used to export apples to the EU, but the province stopped doing so ever since the EU dropped its MRL for Diphenylamine, a common storage treatment for apples, to 0.01 ppm. In Canada, the maximum residue limit for Diphenylamine is set at 5 ppm. In the US, it is set at 10 ppm.

Without harmonised MRLs, the risk is often too high for growers to venture into new markets. A producer in full compliance of the Canadian pesticide product label uses can have their crop rejected by the destination country due to residue violation resulting from an MRL set below the Canadian MRL.

Last week, CHC sent in a submission on the possible free trade agreement with China. Many of our members voiced their concern for the lack of harmonisation regarding residue levels, which creates a substantial trading barrier for those in the horticultural sector. There have been efforts by international organizations such as WTO and Codex to develop a world standard but so far, there is none recognized by all countries. The majority of countries are setting their own tolerance levels and the result is inconsistent MRL standards among trading partners.

The priority to enhance trade in agricultural commodities may not be entirely successful without the work of the PMRA to create MRLs for new registrations, and see that they are harmonized around the world. The roles played by PMRA at Codex are essential. However, PMRA has been forced to back away from this work at this critical juncture due to severe budget restraints. Canadian horticultural producers support adequate funding of the PMRA so they are able to continue not only to do their registration and re-evaluation work well and on time, but also to provide their expertise to further Canadian involvement in science internationally, including harmonization of MRLs.

Trade negotiators should continue to lobby for science-based MRLs to be harmonised between trading countries to ease this technical barrier.

2. **Phytosanitary Import Requirements**

Particularly with fresh produce, it is important for our products to cross our trading partner's border quickly, without delays, to ensure they arrive in the foreign market with the same high quality as when they leaves Canada.

Phytosanitary import requirements can become significant deterrents to market access for Canadian fresh produce, as other countries may impose restrictions that are not always supported by a science-based assessment of risk. Some of these include: unreasonable laboratory testing requirements, costly pre-clearance inspections, lack of acceptance of CFIA accredited Canadian laboratory tests, and inconsistent and non-transparent regulations, such as phytosanitary requirements, that change without fair notice.

In CHC's recent member consultation regarding a potential China Free Trade Agreement, strict and inconsistent phytosanitary restrictions was one of the biggest barriers for our growers entering the Chinese market.

To reduce this trade barrier, we support the inclusion of enhanced and technically justified phytosanitary requirements that are harmonised between countries. This would strengthen the need for importing countries to conduct science-based risk assessments and allow fair market access opportunities based on valid phytosanitary conditions.

3. **Hazard-based in-or-out regulatory decisions**

Building on our advocacy for a science based approach, an additional non-tariff barrier is when governments take fundamentally different approaches to make regulatory decisions. This is the case currently with the EU, and has the potential to become a trade barrier with other countries as well. For example, Canada looks at actual cases and uses a science-based approach to see how to mitigate risk while continuing to use a crop protection product. In contrast, the EU makes decisions based on the simple existence of a hazard, without researching to find a solution to the risk. An example is the EU arbitrary limit for the detection of any pesticide in drinking water to be 0.1 µg/L that is not based on risk. This different approach comes at a cost to Canadian growers who may wish to remain in that market and have to adhere to the foreign regulatory decisions. CHC would encourage an approach whereby trade negotiations include that phytosanitary risk mitigation, based on science, is recognized in the registration of crop protection products.

4. Anti-dumping

Further on fair market access, to keep Canadian fresh produce competitive here at home, we need to continue to have the support of anti-dumping rules, through the maintenance of ministerial exemptions.

Fruit and vegetables are perishable crops that are stored under costly, highly managed conditions from harvest until utilized. In the case of many crops (apples, potatoes, other root crops), growers and packers manage the available supply through the winter, spring and summer to provide high quality produce until the next crop is harvested. The predictability of the market ensures that, for example, Canadian potato producers provide a consistent, high quality supply of fresh potatoes to consumers and the processing industry.

The orderly import and interprovincial trade of potatoes is facilitated, either in the free import of potatoes meeting requirements of the *Fresh Fruit & Vegetable Regulations* of the *Canada Agricultural Products Act* or through the Ministerial Exemption (ME) provision of these *Regulations*. MEs provide exemption from some requirements of the *Regulations,* for container size and grade standards, as examples. Without the ME provision, produce such as apples and potatoes could not be moved in bulk shipments or totes and could not be moved in ungraded form. At the same time, MEs eliminate the potential dumping of large quantities of potatoes in Canada or in a province that could result from unrestricted bulk shipments of potatoes. In the absence of this orderly marketing, Canadian producers would continue to incur the high costs and high risks associated with the storage of potatoes yet be exposed to the unpredictable bulk shipments into their province and accompanying economic uncertainty. Similarly, the requirement for a ME for Grade exceptions limits the dumping of low quality produce into the Canadian market. Such dumping could severely impact the market price for high quality Canadian produce.

As we head towards NAFTA consultations, this is front of mind for our growers, who view as essential that the MEs under the *Fresh Fruit & Vegetable Regulations* are maintained and not lost through NAFTA re-negotiations.

5. Cost of competition to Canadian growers

Because Canadian growers adhere to strict food quality standards and labour laws, as well as environmental standards such as carbon pricing, their costs of production are often higher than in other countries. Due to these production costs, other countries are often able to enter our market at lower prices, forcing growers to absorb the costs on increasingly lower margins. While our sector promotes competition and free trade, we value the opportunity to provide fresh, safe produce to Canadians without having to depend on imports, especially during the summer months. The Government of Canada may need to assist Canadian growers, through regulating imports to ensure foreign produce meets Canada's high standards, including labour, environment, and of course the quality and safety of the produce.

Conclusion

In conclusion, the fresh produce sector wants to be more competitive and enter new markets. However, there are significant non-tariff trade barriers that stand in the way of our sector and deter Canadian growers from exporting their produce. Strengthening the regulatory system and providing the appropriate policy support within Canada, while harmonizing regulations with trading partners will contribute to creating the necessary conditions for success.

For Canadian exports, it is very important to have the embassies in our trading countries establish good working relationships, which can help encourage new market opportunities for Canadian growers. Key to exporters' confidence in the new markets will be ensuring that a fully developed dispute resolution mechanism is in place in the countries Canada is negotiating with. The work in Canada of the Dispute Resolution Corporation on "slow pay" and "no pay" could be used as a model.

Thank you once again for the opportunity to speak here today. I look forward to answering any questions you may have.

Merci.