

CANADIAN SOYBEAN SECTOR PRIORITIES FOR THE 2019 FEDERAL ELECTION



PUBLIC SECTOR DECISIONS IMPACT

CANADIAN SOYBEAN:

**RESEARCH, PRODUCTION, PROCESSING,
COMPETITIVENESS, EXPORTS AND JOBS**



SUMMARY OF RECOMMENDATIONS

LEVEL PLAYING FIELD

- 1:** Issue compensatory payment to Canadian soybean producers to offset substantive U.S. government transfers to American producers.
- 2:** Enforce international trade obligations that support a level playing field.

RESEARCH AND INNOVATION

- 3:** Allocate funding to address critical seed protein composition and resistance to abiotic and biotic stress research priorities.

REGULATORY FRAMEWORK

- 4:** Develop a clear and transparent process that provides clarity to researchers and innovators with respect to whether a product in development would be considered: (i) the result of conventional breeding and exempt from plant with novel trait assessment; (ii) novel, and subject to premarket safety assessment under the novel plant/food/feed regulations; or (iii) eligible for a clearly defined tiered approach.
- 5:** Require that regulators apply to their decisions the economic viability and competitiveness provision of the preamble to the *Pest Control Products Act*.
- 6:** Enhance Canadian regulator capacity to engage with foreign counterparts in bilateral, regional and international discussions in which maximum residue levels are addressed.

INTERNATIONAL TRADE

- 7:** Initiate free trade agreement negotiations with significant soybean importing countries, including: China; ASEAN member nations; and, the United Kingdom.
- 8:** Increase the allocation of Canadian resources responsible for the resolution of foreign market access barriers.

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SOYBEANS AN EVOLVING CANADIAN SUCCESS STORY

Grown on six million acres by 30,000 producers in nine provinces from Nova Scotia to British Columbia, soybeans have for six consecutive years been Canada's third most valuable field crop.

Although the sector has registered four decades of remarkable expansion, and has the potential of doubling production yet again, prospects for the future depend significantly on decisions that rest within the public sector. Among the issues affected by government, this document addresses four themes of particular concern.

1. LEVEL PLAYING FIELD



The Canadian soybean sector requires a competitive, rules-based and level international playing field.

In 2018, China threatened and then imposed a 25% commodity-specific retaliatory import duty on U.S.

soybeans. Soybean futures prices on the Chicago Board of Trade (CBOT) contracted by 25% between May and July of 2018. Canadian prices are also based on CBOT futures.

Acknowledging the disproportionate injury incurred by the soybean sector, the U.S. government issued a US\$1.65 per bushel compensatory payment to its producers for the 2018/2019 crop. In the case of the 2019/2020 crop, the U.S. government is distributing a per acre payment of up to \$150 per acre. In addition, the American Soybean Association has been allocated a total of US\$34,632,165 to “expand existing markets or open new ones”. These are the same markets, including Canada, in which Canadian soybeans are sold.

Given the substantive and repeated U.S. government support provided to that country’s producers, the consequences of subsidy-enabled depressed world market prices and a severely distorted international marketplace are greater for Canadian than for American producers. For the Canadian soybean sector, the combined impacts of the U.S.-China trade war and subsequent Canada-China political confrontation include:

- subsidy-enabled depressed prices in all markets for the 2018 /2019and 2019/2020 crops;
- severely distorted international trade flows (125% increase in exports to China; 84% reduction in exports to the European Union; 217% increase of U.S. soybeans imports into Canada); and
- concern that unsubsidized production in Canada will be replaced by subsidized U.S. soybeans.

Recommendation 1: Issue compensatory payment to Canadian soybean producers to offset substantive U.S. government transfers to American producers.

Recommendation 2: Enforce international trade obligations that support a level playing field.

2. RESEARCH AND INNOVATION



Sustained research is pivotal to the success of the Canadian soybean sector.

Private sector companies are investing substantively in soybean research in Canada. While maintaining capacity in eastern Canada, the distinct growing conditions of western Canada are being addressed by intensified regionally focused research and innovation.

In the public domain, the sector welcomed an allocation under the *Canadian Agricultural Partnership* of \$5.4 million over five years for soybean research to be undertaken by the Canadian Field Crop Research Alliance. Combined with an industry contribution exceeding \$3 million, the new initiatives will assist the sector's objectives of: increasing yield; improving quality; enhancing pest resistance; expanding into new production regions; and, strengthening competitiveness and exports.

Conversely, the sector was disappointed by Genome Canada's rejection of two soybean research proposals under the *Genomics Solutions for Agriculture, Agri-Food, Fisheries and Aquaculture*. Submitted by national consortia of public sector researchers, the projects would have applied genomics to the urgent and vitally important objectives of improving soybean seed protein composition and increasing resistance to abiotic and biotic stresses.

Recommendation 3. Allocate funding to address critical seed protein composition and resistance to abiotic and biotic stress research priorities.

3. REGULATORY FRAMEWORK



National regulatory policies and implementation decisions impact the location of research, innovation, production, processing, exports, competitiveness, jobs, and economic growth. Canada's interests are jeopardized when regulations and regulatory decisions fail to keep pace or are inconsistent with those of competitors.

a) Plants with Novel Traits

Canada is unique in the world in that conventional plant breeders are subjected to the same type of pre-market safety assessments other countries apply to genetically-modified organisms. Of the plants with novel traits approved to date in Canada, 20% would not require similar time-consuming and costly regulation in any other country in the world.

As a result of the uncertainty, broader regulation, extended timelines, and increased costs associated with the Canadian regulatory framework, researchers and innovators are transferring research, development, processing and good jobs out of Canada and Canadian producers are prevented from

accessing advanced varieties that are being grown, processed and marketed in competitor countries, including immediately across the Canada-U.S. border.

Recommendation 4: Develop a clear and transparent process that provides clarity to researchers and innovators with respect to whether a product in development would be considered: (i) the result of conventional breeding and exempt from plant with novel trait assessment; (ii) novel, and subject to premarket safety assessment under the novel plant/food/feed regulations; or, (iii) eligible for a clearly defined tiered approach.

b) Pest Control Products

The preamble of the *Pest Control Products Act* states that “*the federal regulatory system be administered efficiently and effectively ... and, where consistent with the primary objective of the system, minimizes the negative impact on economic viability and competitiveness*”.

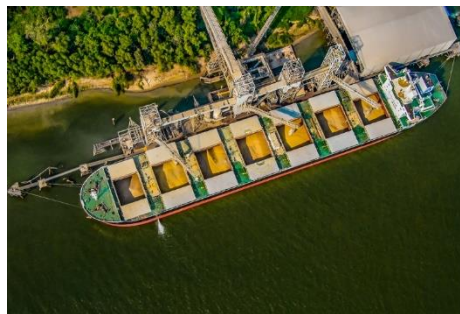
Principles such as risk-benefit analysis are not always evident in regulatory decision-making for pest control products. A pest control product may be removed from the marketplace even in the event that an alternative product is not available or the alternative is less effective, more costly, and provides no safety benefits for either applicators or the environment.

Recommendation 5: Require that regulators apply to their decisions the economic viability and competitiveness provision contained in the preamble to the *Pest Control Products Act*.

The increasing prevalence of different maximum residue levels (MRLs) in importing countries for the same pest control active ingredient imposes unnecessary constraints on trade.

Recommendation 6: Enhance Canadian regulator capacity to engage with foreign counterparts in bilateral, regional and international discussions in which maximum residue levels are addressed.

4. INTERNATIONAL TRADE



On average three-quarters of Canadian soybean production is exported to some 70 foreign markets.

a) International Trade Agreements

The soybean sector welcomed the conclusions of: the Canada-Europe Comprehensive Economic and Trade Agreement (CETA); the Comprehensive and Progressive Agreement for the Trans Pacific Partnership (CPTPP); and, the Canada-United States-Mexico Agreement (CUSMA).

Recommendation 7: Initiate free trade agreement negotiations with significant soybean importing countries, including: China; ASEAN member nations; and, the United Kingdom.

b) Foreign Market Access Barriers

Foreign market access barriers significantly constrain and place at risk current and potential Canadian soybean exports. These barriers include a broad range of technical restrictions pertaining to plant genetics, low level presence, maximum residue limits, safety, quality, sustainability, method of production, labelling, etc.

The Market Access Secretariat of Agriculture and Agri-Food Canada maintains a long list of foreign market access barriers. Because of insufficient resources, only a very small proportion of these are ever addressed actively. Each unresolved foreign market access barrier reduces Canadian production, exports, jobs and economic growth and nullifies anticipated trade agreement benefits.

Recommendation 8: Increase the allocation of resources responsible for the resolution of foreign market access barriers.



Soy Canada

Soy Canada is the national organization that speaks on behalf of the soybean value chain.

Members include: seed developers; provincial producer organizations; processors; exporters; and, affiliated industries and institutions.

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