

Canola Facts: An Industry that Depends on Trade

The following are some key facts on why trade negotiations matter to canola.

Today, nearly 40% of the vegetable oils consumed by Canadians are produced from Canadian-grown and processed canola. However, this represents only 20% to 25% of the crop grown each year, so the rest has to be exported. Canada produces only 15% of the world's annual supply of rapeseed/canola but is responsible for roughly 75% of its global trade.

Canola exports could grow considerably but are being limited by barriers to trade, notably tariffs and subsidies in other countries. Canadian farmers and agribusiness held in storage roughly 2.5 million tonnes in 2005/2006, out of a total production of 9.7 million tonnes due to depressed prices and access problems in export markets. For example, Canola growers' incomes are being hurt by the domestic subsidy programs of the U.S. and the EU and by hidden subsidies used to promote soybean oil production in South America and palm oil production in Malaysia. These activities seriously depress world prices for oilseed products.

Discriminatory tariffs are another problematic issue. In countries like China and Taiwan, canola seed has a higher tariff than soybeans. In Korea, Pakistan and India, canola oil has higher tariffs than soybean oil. In a highly competitive marketplace, this translates into either fewer sales or lower prices for canola due to the unfair tariff disadvantage. Because other countries know the benefits of a value-added processing sector, tariffs on oil are often higher than they are on raw seed to protect their domestic crushing industry. For example, in Japan, the tariff on canola seed is zero but the tariff on canola oil is 20.5%.

India imports approximately five million tonnes of edible oil and Canada does virtually none of this business due to technical barriers to trade and high tariffs on canola oil vs. competitors. Along with the Japanese example, this damages the ability of our own crushing industry to generate jobs and economic activity in Canada and puts pressure on the price Canadian farmers receive, as a large part of the world market is not open to them.

Another key to the growth of the canola industry is increased standards of living in many of the world's developing nations. Trade liberalization will in part support that trend. With increased spending power, these consumers can afford to pay a premium for a healthy oil product like canola.

Trade liberalization through the WTO is fundamental to the future prosperity of the Canadian canola industry. We are specifically seeking:

- an end to the discriminatory tariffs on canola relative to other seeds, oils and fats;
- parity between canola seed and canola oil tariffs; and
- the elimination of trade distorting subsidies.

Finally, the U.S. has a significant soybean sector that will no doubt benefit should that nation choose to continue to negotiate bilateral trade agreements. We strongly encourage the Canadian government to limit the possibility that soybeans will receive preferential treatment relative to canola by negotiating similar agreements in our key markets (China, Japan, India and South Korea).

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CANOLA COUNCIL OF CANADA