

# Agribusiness

*Contributing editors*

Carol VandenHoek and Wendy Baker QC



2018

GETTING THE  
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# Agribusiness

*Contributing editors*

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**Miller Thomson LLP**

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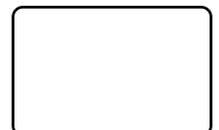


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# Introduction

**Carol VandenHoek and Wendy Baker QC**

**Miller Thomson LLP**

Around the globe, agribusiness continues to be a key economic driver. Whether dealing with large-scale commodity production or local differentiated products, food is necessary for us all. The world's population is becoming more conscious of how food is produced, packaged and delivered. The future of global agriculture is closely tied to trade, and international access for agricultural products continues to dominate trade negotiations.

Agricultural production is varied around the world, due to a number of factors including development, climate and natural resources, access to technology, and access to markets. Global agricultural output is shifting from high-income countries such as the United States, to middle-income countries, such as China, India and Brazil. Investments in research, both public and private, are changing production and productivity in this sector. In the next 50 years we can expect to see a greater importance placed on research, production and trade with the middle income countries. (Alston and Pardey, *Agriculture in the Global Economy, Journal of Economic Perspectives*, Vol. 28, No. 1, Winter 2014).

Mega regional trade agreements are posed to change the face of global agriculture in a significant way. The Regional Co-operation in Asia and the Pacific (RCEP) is being negotiated to create trade access between 16 member states in Asia, Australia and New Zealand. These 16 states represent 46 per cent of the global population, and impacts on agriculture will be extensive as vast markets will be opened to trade. RCEP is still being negotiated and controversies are not settled, in particular regarding impacts on domestic production with the reduction in tariffs.

The Transatlantic Trade and Investment Partnership (TTIP) was being negotiated between the European Union and its 28 member states, and the US. The TTIP was put in jeopardy in early 2017 as the initial positions taken by President Donald Trump rejected such large-scale trade agreements. However, in June 2017, the US indicated that it remained open to a free-trade pact with the EU. While the door has been opened, no significant movement on what would be a significant agreement has occurred at the time of writing.

The Trans-Pacific Partnership (TPP) was initially negotiated between seven members of the RCEP, Chile, Peru and the North American Free Trade Agreement (Nafta) partners. Following the election of President Trump, the US pulled out of TPP, placing the agreement in jeopardy. In 2017, significant movement towards a renewed TPP with the 11 members states remaining, excluding the US, has occurred. The combination of RCEP and TPP represent a very significant economic free-trade zone that will impact across and between members states, and non-member states as trade preferences shift.

In the background of these mega trade agreements is the World Trade Organization (WTO). Since 2000, the WTO has been negotiating reforms to the WTO Agriculture Agreement to address subsidies and high trade barriers. Most recently in the fall of 2016 WTO members were slated to review Canada's dairy trade policies, India's export policies, Thailand's release of rice stocks, and China's domestic support notifications. Domestic subsidies continue to be a priority in the WTO farm talks.

The significance of these large-scale trade agreements for agriculture comes into focus when we look at the value of agriculture globally. World agriculture and agri-food exports in 2014 was valued at C\$1.45 trillion. The largest exporter was the EU, representing 42.9 per cent of exports in 2014, followed by the US at 12 per cent and Brazil at 6.3 per cent. The EU also was the largest importer of agriculture and agri-food products, representing 44.4 per cent of the world imports, following by the US at 9.6 per cent and China and 9.3 per cent. (Agriculture and Agri-Food Canada, *An Overview of the Canadian Agriculture and Agri-Food System*, 2016.)

Other trends in the agri-food sector include the increasing vertical integration of food supply chains, national and international standards for food certification, production and traceability. The consolidation of global agri-food businesses is generating a lot of attention in the agriculture space. Seeds and chemical companies are the subject of proposed mega mergers, such as Monsanto and Bayer, Syngenta and ChemChina, and Dow and Dupont. These mergers would concentrate the majority of seed and agrochemicals globally into three entities. All mergers are currently being examined by regulatory agencies. If approved, they will influence changes in the sector in the years to come.

Challenges in the sector include changing consumer preferences in relation to meat and dairy products, climate change, changes in primary production that drive towards more large scale production and away from the family farm model, and concerns about food security. All of these challenges are influencing policy development around the world.

The challenges to the agri-food sector are addressed in each country through the development of policies and laws in a wide range of areas. Land use controls, export and import controls, food safety, food labelling, production controls, environmental protection laws, and many other areas must be considered when advancing an agri-food business anywhere in the world. It is our hope that this publication will assist people in understanding the landscape when they are considering doing business in a new country.

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