

IN THE MIDST OF CHANGE
CHALLENGES AHEAD FOR THE CANADIAN AGRI-FOOD SECTOR
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À LA CROISÉE DES CHEMINS:
LES DÉFIS À VENIR POUR LE SECTEUR AGROALIMENTAIRE CANADIEN

ABSTRACT 6

Gains from Trade but to Whom? Canola and the Trans-Pacific Partnership

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The Trans-Pacific Partnership (TPP) agreement is the most significant free-trade agreement to Canadians since NAFTA. The TPP has the potential to benefit a number of sectors in the Canadian economy, including agriculture. Within the agricultural sector, proponents of the TPP have cited canola as being one of the key beneficiaries of the agreement. The Canola Council of Canada has declared that the terms of the TPP – such as the elimination of existing Japanese tariffs on Canadian canola oil – will benefit the industry by up to \$780 million per year. However, a number of important questions should be explored before the agreement is acclaimed. How accurate is the anticipated \$780 million in annual benefits? What needs to occur for this value to be achieved? How will the benefits be distributed along the canola value chain? The purpose of this research is to evaluate the potential impacts of the TPP agreement and to gain a better understanding of where the gains from freer trade will accrue. We assume that the main benefit of the TPP to the canola sector is the removal of a tariff on canola oil that will encourage the export of canola oil instead of canola seed. We further assume that the sector consists of a large number of producers with no market power transacting with a small number of processors (buyers) with market power. Our initial calculations suggest that canola producers will not be the main beneficiaries of the TPP agreement.