

## **CANADIAN EGG, DAIRY AND POULTRY FARMERS' TRADE POLICY POSITION**

**2005**

International trade negotiations in agriculture resumed in March 2000 as mandated by the World Trade Organization (WTO) Agreement on Agriculture. A Framework on Agriculture was agreed to on August 1<sup>st</sup>, 2004. The Framework will guide the negotiators throughout 2005, leading to the 6<sup>th</sup> WTO Ministerial Conference.

All egg, dairy and poultry farmers across Canada have joined together to reiterate their unified vision and adopted a revised position taking into account the developments leading to the Framework on Agriculture to help guide the Canadian negotiators.

The goal of the Canadian egg, poultry and dairy farmers' Trade Policy Position is to prevent the erosion of the three pillars necessary to sustain an effective supply management system in Canada. The pillars of supply management are:

- Import controls allowing domestic production to be efficiently planned to meet Canadian demand. Imports are limited to the level of access agreed internationally.
- Pricing mechanisms providing producers the opportunity to collectively negotiate prices with buyers in order to receive fair market returns.
- Production discipline allowing supply and demand to be balanced, thereby promoting price and market stability.

Combined, the Canadian egg, dairy and poultry sectors generate over \$6.8 billion in farm cash receipts or 20% of total primary agriculture, more than \$39 billion of economic activity, and over 215,000 jobs in Canada.

Future trade agreements must ensure that Canada retains the flexibility to successfully defend the ability and rights of Canadian farmers to collectively select, for their own commodity, the marketing system of their choice, including orderly marketing, and in particular supply management. This requires that the tools validating this choice of marketing system be legitimized in future trade agreements. Farmers must continue to be given the necessary legislation, infrastructure and recognition to ensure a balance in the bargaining relationships they have with others in the marketing chain. Future negotiations should ensure that farmers' marketing structures are not subject to stricter international trade rules than other corporate structures.

## **BASIC PRINCIPLES:**

1. Canadian egg, dairy and poultry farmers believe that Canada should approach the Doha Round (or Doha Development Agenda) of multilateral negotiations with the objective of achieving positive results for Canadian farmers.
2. Egg, dairy and poultry farmers support further trade negotiations for agriculture only if they result in a better functioning of international and domestic markets and contribute to the improvement of Canadian farm incomes
3. The WTO should be the principal vehicle for the establishment of fair and equitable trade rules.
4. Trade commitments affecting egg, dairy and poultry farmers, in other trade agreements into which Canada may enter, must not go beyond WTO commitments and disciplines.
5. There must be no trade-off between Canadian agricultural sectors, as well as no trade-off between agriculture and another industrial sector.
6. The new rules must account for the interdependence between policy instruments. Balance and equity in commitments can only be achieved through the recognition that the reforms in all three pillars of the WTO agricultural negotiations are interconnected.
7. The current WTO negotiations in agriculture must focus primarily on the elimination of export subsidies.
8. TRQs are a legitimate WTO trade policy tool and must be addressed separately from any reduction formula for simple tariffs.
9. In order to provide all WTO members with the ability to establish and maintain viable domestic agricultural industries, it is necessary to ensure a proper functioning TRQ system which offers a common level of minimum access and the predictability of imports to both exporting and importing nations.
10. Access commitments under TRQs must be subject to a rules-based common minimum end point. These commitments must be equal to 5% of domestic consumption.
11. TRQ administration must be subject to rules that ensure the level of access committed is achievable.
12. Sanitary and Phytosanitary (SPS) measures that are not science based must be eliminated.
13. Canada must seek greater discipline governing domestic support and insist upon reviewing the criteria for exempting non-trade distorting measures.
14. Recognizing that the Framework calls for a 20% down payment of overall trade distorting support, and in order to remain consistent with Article 20 of the WTO Agreement on Agriculture, Canada must oppose any further down payment and insist that any new commitments be implemented in equal instalments.

15. The WTO needs to consider Special and differential treatment for developing countries to establish and maintain viable domestic agriculture industries. Clear criteria to determine which countries are eligible for special and differential treatment must be established.

## **1. EXPORT SUBSIDIES**

- 1.1 Egg, dairy and poultry farmers support the elimination of all government financed export subsidies being the primary focus of trade negotiations since they constitute the most significant distortions to trade.
- 1.2 Where international food aid, export credit and export promotion programs are permitted, fair, effective and stringent WTO trade rules should govern their practices.

## **2. MARKET ACCESS**

- 2.1 Given that Canada has accepted the Framework Agreement:
  - a) Canada must ensure that dairy, poultry and egg products are selected and treated as sensitive products.
  - b) Canada must ensure that the treatment of sensitive products is completely separated from the general tariff reduction formula, reflects the sensitivity of the product concerned, and be treated more favourably than other products, Sensitive products should not be subject to tariff conversion.
- 2.2 Recognizing the sensitive nature of dairy, poultry and egg products, Canada's over-quota tariffs (both specific and ad valorem) must be maintained at their current levels to ensure no more access than the committed level of the Tariff Rate Quota (TRQ) and any capping of over-quota tariffs must be opposed. TRQs were implemented as part of the Uruguay Round to convert non-tariff barriers into transparent tariffs of equivalent effect.
- 2.3 Substantial improvement in market access for products under TRQs will be achieved through:
  - a) Establishing clear and precise rules governing minimum market access commitments in order to ensure that all countries' minimum market access commitments are clean, transparent and equal to 5% of domestic consumption, based on the most recent reference period available. These rules must be applicable to all.
  - b) Reducing tariffs applying to a country's WTO within access commitments to zero, where over quota tariffs are maintained at current levels. As a special and differential treatment, developing countries could be entitled to maintain minimal in-quota tariffs.
- 2.4 Product groupings should be established to define common specific product groups (e.g. chicken, turkey, eggs, broiler hatching eggs, butter, cheese, other dairy) for all WTO members.
- 2.5 Canada must pursue the elimination of all country-specific TRQ allocations so that access is available to all WTO members and ensure any additional access is provided on a MFN basis.

As a special and differential treatment, country-specific TRQ allocations could be considered for developing countries.

- 2.6 Canada must pursue the establishment of transparent, effective and binding rules governing TRQ administration to ensure the committed level of access is achievable. Countries should not use administrative measures to circumvent their within access commitments. Administrative measures which are designed to take account of domestic market conditions and infrastructures, including the right to designate the market segments that receive these imports, should be allowed provided they do not impede the level of committed access.

TRQ administration in support of the objective of equivalent and achievable market access should be guided by the following principles:

- a) Administration measures must be fully transparent and predictable to importers and exporters, and be applied equally to all WTO Members;
  - b) Administrative burdens on importers and exporters should be minimised; and
  - c) State Trading Enterprises (STEs) must be recognised as legitimate means of administering TRQs.
  - d) Provisions to address persistent under utilization of access offered under TRQ should be established.
- 2.7 Simple tariffs that effectively restrict access to a market should be reduced or converted into a TRQ to ensure that real market access is provided.
- 2.8 As the Special Safeguard Provision, under Article 5 of the AoA, is to “remain in force for the duration of the reform process” and Article 20 of the AoA states that “reform is an ongoing process”, Canada must ensure the Special Safeguard is maintained as a means of addressing high volatility in world markets.
- 2.9 Canada can pursue zero-for-zero initiatives for specific sectors that want to further liberalise their own trade, as long as these initiatives are not linked to any other negotiating issues or commitments.

### **3. DOMESTIC SUPPORT**

- 3.1 Canada must seek greater discipline governing domestic support and seek the imposition of a cap on total domestic support including all amber, blue and green programs, measured as a percentage of total value of production.
- 3.2 The definitions of “green programs” must be clarified to ensure that trade distorting programs do not qualify under the green box. These definitions should allow for mutual co-existence of the various forms of agriculture and the various forms of marketing systems in all countries and a WTO system for the prior determination of the “green status” of a specific domestic program must be established
- 3.3 Canada must ensure that the green box criteria are changed to include administered pricing mechanisms which do not involve financial contribution by government and are combined with production discipline.

- 3.4 As a matter of principle, the SM-5 continues to oppose the concept of a product specific cap as it would entrench inequity into trade laws. The SM-5 deplors the endorsement of this concept in the Framework. The measurement of domestic support must remain at the aggregate level, as measured by the Aggregate Measurement of Support (AMS).
- 3.5 Consistent with the Framework principle seeking greater disciplines be placed on those countries with the highest level of trade-distorting subsidies, any product specific cap should be based on a common percentage of the value of domestic production.
- 3.6 The de-minimis exemption for amber box programs must be maintained at current levels.
- 3.7 The special consideration for “Blue Box” programs must be eliminated.
- 3.8 If Blue Box measures are maintained, a common cap for such measures and for the product-specific de minimis should be established, at 5% of the value of agricultural production. In such instance, the non-product-specific de minimis should be maintained at the current allowed levels.

#### **4. MULTIFUNCTIONALITY**

- 4.1 Recognising that non-trade concerns should be taken into account during the next round of negotiations, Canada should seek to:
  - a) clarify the concept of "non-trade concerns" and the concept of "multifunctionality", and the extent to which these two concepts are interchangeable;
  - b) minimise any trade distortions associated with the multifunctional character of agriculture;
  - c) ensure that any expenditure related to the financing of these concepts are made through the existing domestic support categories and are subject to a cap imposed on the total support based on a percentage of the total production.

#### **5. SANITARY & PHYTOSANITARY (SPS) MEASURES and ENVIRONMENT**

- 5.1 Sanitary and Phytosanitary (SPS) measures must be based on sound science and not used as disguised trade measures.
- 5.2 Recognising that there is an interaction between trade and environmental issues, Canada should insist that the Committee on Trade and Environment become a permanent WTO body; and that trade provisions in international environmental agreements be subject to full WTO discipline.

## **6. BIOTECHNOLOGY**

- 6.1 Recognising that an increasing number of agricultural products, developed through biotechnology, are commercialised and enter into international trade, Canada should seek to establish a working party on biotechnology in the WTO to determine the adequacy of existing rules and to report to the steering body for the negotiations on whether negotiations are required within the WTO in this area.

## **7. DISPUTE SETTLEMENT UNDERSTANDING**

- 7.1 Canada must seek to improve the transparency of the WTO and in particular, the WTO Dispute Settlement Understanding through:
  - a) Allowing producer organizations, commodity and trade associations affected by a panel ruling to observe the proceedings of the Dispute Settlement Body in a manner that does not affect the proceeding themselves;
  - b) Ensuring that adequate proceedings are made available to the public, while respecting any confidential information;
  - c) Ensuring that the WTO panel and Appellate Body submissions are made publicly available on a timely basis.