

<p>Meeting of CETA Agriculture Committee</p>	<p>06 October 2022 Online</p>
--	-----------------------------------

Scene setter

The CETA Committee on Agriculture and the Canada-European Union Agriculture Dialogue will meet jointly.

This year we celebrate CETA after 5 years of implementation and it is time to take stock. art 4.1(a) - internat

art 4.1(a) - international relations

Canada’s administration of the CETA cheese TRQ remains the most important issue on the agenda of the Committee. It is already over 3 years ago that the EU requested a mid-term review of the CETA cheese TRQ (April 2019). The same year Canada responded to that request by launching a review of all their TRQs. The EU made several submissions to Canada’s wider TRQ review, which Canada already several times, first during the COVID crisis, then for the snap federal elections and lastly due its dispute with the US over implementation of dairy TRQs under the USMCA (CUSMA in CAN terms). We look forward to getting clarity on the Canadian government’s plans going forward.

Canada has again included SPS complaints to the agenda, art 4.1(a) - international relations
art 4.1(a) - international relations on contaminants, pesticide residues and veterinary medicines containing antibiotics. These SPS issues will be discussed substantively in the CETA SPS Committee later in October. Without entering into substantial discussions here, art 4.1(a) - international relatio

art 4.1(a) - international relations

art 4.1(a) - international relations

Objectives

- To discuss measures concerning CETA implementation in which the EU considers that Canada is not in compliance with the letter and/or the spirit of the Agreement, particularly the cheese TRQ, **art 4.1(a) - international relations**. We should keep pressure on Canada to deliver some improvements with the long-awaited TRQ review, despite their continued effort to manage our expectations.

Contents

PART I – CETA COMMITTEE ON AGRICULTURE	5
1. WELCOME, INTRODUCTION AND COMMITTEE BUSINESS.....	5
2. CETA IMPLEMENTATION	6
2.1. Review of bilateral trade performance.....	6
2.2. Imports of hops product from Canada into the EU.....	6
2.3. Canadian Cheese TRQ management – update on TRQ review (EU issue).....	7
2.4. Cheese TRQs (CETA & WTO) and Impact of Brexit (EU issue).....	11
2.5. CAN milk pricing and cheese compositional standards (EU Issue).....	12
2.6. EU Beef and Pork TRQs.....	14
2.7. Impact on WTO TRQs Post-Brexit [LTT provided by G1]	18
3. OTHER TRADE ISSUES	20
3.1. EU Commission report on the application of health and environmental standards to agri-food products (Jean Ferriere to present).....	20
3.2. EU Deforestation Policy (Risto Artjoki to present).....	23
3.3. Contaminants and Pesticides.....	26
3.4. EU’s Inception Impact assessment on Food Labelling.....	29
3.5. EU Veterinary Medicinal Products Regulation	30
4. ANY OTHER BUSINESS.....	32
5. ACTION ITEMS - INCLUDING REPORTING TO CETA COMMITTEE ON TRADE IN GOODS	32
6. TIME AND VENUE OF NEXT MEETING.....	32
PART II – CANADA-EUROPEAN UNION AGRICULTURE DIALOGUE	33
1. UPDATE ON MEMBER STATES CAP STRATEGIC PLANS	33
2. UPDATE ON THE LEGISLATIVE FRAMEWORK FOR SUSTAINABLE FOOD SYSTEMS INITIATIVE	33
3. UPDATE ON EU AND CANADA’S INTERNATIONAL TRADE NEGOTIATIONS.....	33
4. CANADA-EU AGRICULTURE DIALOGUE WORKSHOPS UPDATE	33
5. FOOD SECURITY IN THE CONTEXT OF THE RUSSIAN INVASION OF UKRAINE	34
6. UPDATE ON PROGRESS REGARDING CANADA’S CLIMATE CHANGE PLAN AND CONSIDERATIONS FOR EMISSIONS REDUCTIONS IN THE	

AGRICULTURE SECTOR AND RECENT AGRICULTURAL POLICY DEVELOPMENTS.....	37
7. UPDATE ON COMPENSATION FOR CANADIAN DAIRY PRODUCERS LINKED TO FTAS	38
4. ANY OTHER BUSINESS.....	39
5. ACTION ITEMS – INCLUDING REPORTING TO CETA COMMITTEE ON TRADE IN GOODS	39
6. TIME AND VENUE OF NEXT MEETING.....	39
ANNEX 1 - EU CROP IMPORTS FROM CANADA.....	40
ANNEX 2 - CANADIAN CHEESE TRQ COMMITMENTS.....	42
ANNEX 3 - KEY EU CONCERNS IDENTIFIED IN THE EU SUBMISSION TO CANADA’S TRQ MANAGEMENT SYSTEM REVIEW (JULY 2019).....	43
ANNEX 4– EU SUBMISSION TO CANADA’S SECOND CONSULTATION ON THE REVIEW OF TRQS (MAY 2020).....	46
out of scope	

PART I – CETA Committee on Agriculture

1. WELCOME, INTRODUCTION AND COMMITTEE BUSINESS

For the record:

- 5th meeting of the Agriculture Committee under CETA. We are now in the final stage of phasing in so this is an important stocktaking exercise to ensure a satisfactory implementation of CETA.
- In agriculture we have 3 key outstanding market access issues to address. One pertains to this committee, the cheese quota management. The other two relate to discriminatory measures on wine and spirits and to the protection of geographical indications.
- A satisfactory implementation of CETA is of critical importance, and a poor one may have dire consequences for the ratification process in a number of Member States. So far 16 Member States have ratified CETA. Netherlands is the most recent. The debate is moving forward in Germany but remains difficult in several other Member States.
- We understand that Canada wishes to address a number of SPS issues at this Committee. We will listen to your concerns but will leave substantive discussion to the SPS Committee which is taking place at the end of this month to avoid unnecessary duplication of work.

Housekeeping:

- Long agenda, with CETA Committee and Agriculture Dialogue held together. Thank you in advance **for your flexibility on the order of business**, which we need to take account of the availability of the various experts (**see Annotated agenda for revised order**).
- As for all CETA committee meetings, the report of the meeting will be published. It should be our objective to have it ready for publication as soon as possible after the meeting. Suggest we agree orally on the lines when closing each agenda item.

2. CETA IMPLEMENTATION

2.1. Review of bilateral trade performance

(See statistical factsheets already exchanged.)

LTT

- Bilateral agricultural trade has increased both ways since CETA entered into provisional application.
- In 2021, bilateral trade in agriculture between the EU and Canada was 41% higher than it was before CETA [average 2014-2016].
- In 2021 we saw a decline in EU agri-food imports from Canada by 9.6% in 2021, in value. This is due to the importance of the share of rapeseed and wheat in total imports (42% in 2021). Unfortunately imports of canola (-39%) and wheat (-11%) were sharply down in 2021 given the exceptional circumstances; with reduced Canadian crops and high prices as a result of the extreme heat of summer 2021. We expect imports to return to normal given the good harvest in Canada this year. (see Annex 1)
- The EU has been and remains a good client for Canadian commodities such as canola and durum wheat. We are still far away from the low imports of 2018, which we discussed at length at previous meetings.
- Thanks to CETA, Canada has also been able to diversify its exports, showing strong growth in other sectors. Since 2017, EU imports have increased steadily for diverse products, such as fresh vegetables, and fruit and vegetable preparations.

2.2. Imports of hops product from Canada into the EU

The Committee should take note of the swift action the Parties took in 2022 to facilitate trade in hops.

LTT

- We had exchanges over the years on occasional issues that Canadian exporters of hops have encountered at the EU border, because of a change in the body authorised to sign import certificates.
- We are pleased to note that, thanks our good cooperation, we have been able to solve this issue and provide a long-term, legally solid solution to the Canadian exporters.
- The Commission has acted with the utmost diligence in this file. From the date we received complete information from Canada, it took just over 3 months to update a Commission implementing regulation, which is a very good outcome for the procedure that these updates require. Thank you to the market unit.

Background

Under Regulation 1308/2013, hops products may be imported from third countries only if their quality standards are at least equivalent to those adopted for like products harvested within the

Union. For that purpose, a certificate must accompany the imported goods. By way of implementing acts, the Commission authorises third country agencies to establish such certificates (Annex 1 of Regulation 1295/2008).

In 2018, Canada noted that the Canadian authorised body listed in Annex 1 no longer existed. Canadian exporters could not present the certificate as stipulated in the regulation. Certain imports were reportedly rejected at the border for that reason.

On 8 June 2021, Canada requested that the annex be amended to provide legal certainty to the Canadian exporters. On 16 June 2021, we informed Canada of our readiness to implement such long-term solution, indicated that the amendment process would take approximately 3 months, and explained the information required to proceed. On 17 January 2022, Canada notified the name of the new authorised body. On 24 January, we requested some details that were missing from Canada's notification, and Canada provided those details on the same day.

On 4 May 2022, the Commission adopted Implementing Regulation (EU) 2022/700, which amended Annex 1 of R. 1295/2008 accordingly. The change entered into force on 6 May 2022.

out of scope

2.3. Canadian Cheese TRQ management – update on TRQ review (EU issue)

The European Union is still awaiting the outcome of the review that Canada is carrying out on the management of its tariff rate quotas, which was suspended due to COVID in May 2020, then further delayed by the Canadian elections and later by the dispute settlement case between Canada and the US under the USMCA agreement (still to be resolved). The European Union first requested a review of the administration of the CETA cheese tariff rate quota in April 2019, so we have been waiting for the outcome for over 3 and ½ years.

Although the quota has been filled, the European Union has strong concerns about how the quotas are managed. The EU position remains that it is against the pool system set up by Canada as it is intrinsically biased.

LTT

- You know our concerns on the administration of the CETA cheese TRQ. That quota is one of the key outcomes of CETA and so it is in both Canada's and EU's best interest that its implementation is viewed as **effective and transparent**.
- There is however good news. The quota has been filled each year (around 96%). This year sees the final phase in of CETA cheese quotas. Even with the increase of the TRQ

volume, the EU is expected to fill the premium cheese quota. Meanwhile the industrial cheese quota is being filled more slowly, with CAN importing more from the US and under CPTPP.

- In any case our concerns remain. We consider that the pooling system is not in line with CETA, notably because it is not likely to “*result in the quotas going to those persons that re most likely to use it*”, art.4.1(a) - international relations art.4.1(1)(a) - international relations
- We discussed already the existence of a market of quota allocations. The very fact that there is a price for allocations strongly suggests that the allocation method does not “*minimise transactional cost for traders*”.
- Our information is that is that there is a considerable parallel market on quota transfers. However, we do not have hard data. We have called for transparency from Canada in monitoring the operation of the TRQ on this issue, not only the fill rate. In particular, we requested Canada to provide information on the actual use of the TRQ, numbers and rates of transfers, from which pools these are occurring, and transaction costs associated with transfer.
- Moreover, we hear that the market share approach is putting incredible constraints on **new entrants**. We have heard from EU operators who are seeking to set up their own import and distribution channels in Canada, but are unsuccessful or only receive unviable quantities, sometimes as small as a few kg. This is discouraging for a number of companies.
- We received assurances from Canada in 2017 that EU operators would be able to build up their own import and distribution channels in Canada. The system is not proving effective in that respect.
- Despite our fundamental issue with the pooling system, we have constructively submitted several ideas to improve it, for instance as regards transfers, penalties or the calculation of utilisation. It would be helpful if the ongoing TRQ review could lead soon to effective results.
- We have been waiting for the outcome of your review for over 3 and ½ years. It is time to see progress. [though it seems too late for quota year 2023]

Defensives

The CETA cheese quota fill rate is sky high, there is no trade issue.

- Yes the EU has a high fill rate, but transfers are accompanied by high fees which impact the price of EU cheeses and affects the competitive position of EU cheeses in Canada.
- In any case (Annex 2-B, Section B of) CETA sets out several requirements and objectives. To maximise the fill rate is only one of the stated objectives.
- The other objectives are equally important. The system “*must be transparent, predictable, minimise transactional costs for traders*”, “*avoid speculation*”, and should result in “*the quotas going to those persons that are most likely to use it*”.
- We need to understand Canada’s position on all of those aspects, not only fill rates.

[Additional elements raised at previous meetings]

- EU believes that there is a need to change the TRQ implementing rules (for example annual transfers between operators) which seems to unnecessarily hamper EU access to market.
- However we do not have hard data. Therefore we would welcome Canadian co-operation in monitoring the operation of the TRQ. In previous year we asked Canada to report on experience acquired so far. In particular, we requested Canada to provide detailed factual information on the actual use of the TRQ, numbers and rates of transfers, from which pools these are occurring, and transaction costs associated with transfer. We are not seeking commercially sensitive information, but rather aggregated statistics to confirm input we receive from the industry. We sent detailed questions in September 2018, but only received partial answers. This would help us to understand whether there is a genuine problem with transfers.
- The EU is concerned by the high rate of quota transfer in the early days (which CA stakeholders told us was around 40% in 2018). Industry informs us that transfer fees were over 2,5 CAN \$ per kg on average – which basically equates to 25% import tariff if you take 10 CAN \$ as an average price for EU cheese.
- The allocation method has reportedly led to the allocation of very low unviable quantities to certain operators and thus may have contributed to the development of a secondary market for import licenses.
- The high transfer rate clearly implies that the quota has not been allocated to those most likely to use it.
- The EU believes that Canada's choice to allocate 50% of the quota to Canadian manufacturers plays an important role in the high transfer rate and the late quota fill. The TRQ administration put in place by Canada impairs the market access commitments made by the Parties. Canadian cheese manufacturers do not qualify as "persons most likely to use it" (CETA Annex 2 B, Section B, paragraph 2).
- We invite Canada to substantiate the extent to which the TRQ management system established by Canada complies with CETA provisions, including Annex 2 B, Section B, in particular points 1, 2, 4.
- Already in April 2019 the EU requested a formal review of the TRQ management system in accordance with Annex 2A of CETA.
- The EU trusts that Canada will treat the EU's request for a mid-term review of the CETA cheese TRQ separately from the overall comprehensive review and that Canada does not seek to find a "one size fits all" solution. This was confirmed by Madame Bibeau in 2019.
- In any case the EU has delivered its views in its submission to Canada's TRQ review consultation in May 2020, which has been suspended several times. The EU expects that this review to deliver improvements and a more rational TRQ system. We would like to remind Canada of its commitment made at the 2019 CETA Agriculture Committee, to consider "possible amendments to the transfer system, the minimum

allocation quantity and increased transparency”. We look forward to finally seeing progress on this.

Background

We are still awaiting the outcome of the review that Canada has carried out on the management of all of its tariff rate quotas, which was suspended due to COVID in 2020, then because of the snap election in September 2021 and later due to the dispute settlement case between Canada and the US over dairy TRQ allocation under USMCA, which is yet to be resolved. New Zealand is also challenging dairy quota allocation under CPTPP and conducted consultations with CAN earlier this year, without progress.

art 4.1(a) - international relations

The matter was discussed in detail at the meetings of all the CETA Committees on Agriculture since 2019,

art 4.1(a) - international relations

The EU position (see Annexes 3 to 5) remains that it is against the pool system set up by Canada as it is intrinsically biased.

art 4.1(a) - international relations

art 4.1(a) - international relations

art 4.1(a) - international relations, the EU has succeeded in filling the quota to a high rate from the very beginning (around 96%).

art 4.1(a) - international relations

Canada cheese quotas utilisation

03/10/2022

	Available (t)	Utilised (t)	Fill rate
WTO quota - EU share	14,272	10,244	72%
CETA - all cheese	16,000	10,403	65%
CETA - industrial cheese	1,700	271	16%
WTO quota - non EU	6,140	1,290	70%
CPTPP - all cheese	3,021	1,333	44%
CPTPP - industrial cheese	6,646	88	1%
CPTPP – mozzarella	2,417	1,089	45%
CUSMA - all cheese	3,125	1,423	46%
CUSMA - industrial cheese	3,125	782	25%

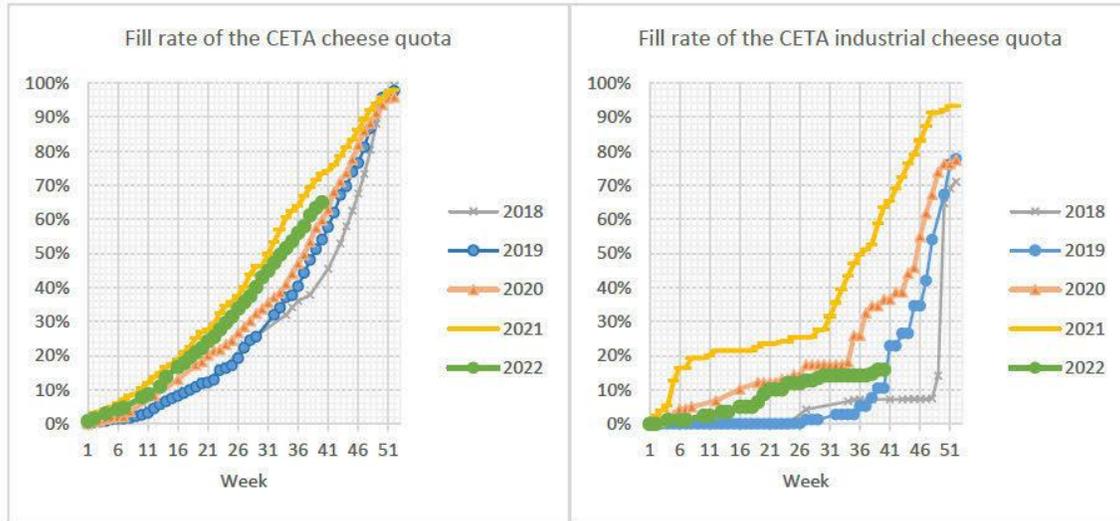
Source: Global Affairs Canada

Utilisation rate in previous years (EU-specific quotas only)

	2016	2017	2018	2019	2020	2021	2022	2023
Available quantities (tonnes)								
WTO quota - EU share	13.472	14.272	14.272	14.272	14.272	14.272	14.272	14.272
CETA - cheese	0	745	5.333	8.000	10.667	13.333	16.000	16.000
CETA - industrial cheese	0	79	567	850	1.133	1.417	1.700	1.700
Total	13.472	15.096	20.172	23.122	26.072	29.022	31.972	31.972
Used quantities (tonnes)							up to 3 oct	
WTO quota - EU share	N/A	13.762	14.055	13.785	13.972	14.075	10.244	
CETA - cheese	/	720	5.290	7.812	10.233	13.076	10.403	
CETA - industrial cheese	/	47	403	660	876	1.321	271	

Total		14.529	19.748	22.257	25.081	28.473	20.918	
Use rate (%)								
WTO quota - EU share	N/A	96%	98%	97%	98%	99%	71,8%	
CETA - cheese	/	97%	99%	98%	96%	98%	65,0%	
CETA - industrial cheese	/	60%	71%	78%	77%	93%	15,9%	
WTO + CETA - overall use rate	/	96%	98%	96%	96%	98%	65,4%	

Source: Global Affairs Canada



Source: Global Affairs Canada

2.4. Cheese TRQs (CETA & WTO) and Impact of Brexit (EU issue)

The European Union has concerns as regards UK's continued access to the EU share of the WTO cheese quota, which is also integrated in Canada's commitments under CETA. The European Union would also like to receive information on the post-2023 EU access to this quota, to ensure no detriment is caused to EU exports. The EU looks forward to continuing constructive discussions in Geneva.

LTT

art 4.1(a) - international relations

Background

In a side letter to the UK-Canada continuity agreement, the UK has retained access to the “EU reserve” of the WTO quota until the end of 2023.

art 4.1(a) - international relations

art 4.1(a) - international relations

art 4.1(a) - international relations

EU Other Trade Issues

2.5. CAN milk pricing and cheese compositional standards (EU Issue)

The EU would like to hear Canada’s views on the reasons for the shift in trade patterns in MPCs/dairy protein products (EU exports falling and CAN imports to EU rising), as EU considers that there may be a link with Canada’s milk class pricing system and its cheese compositional standards.

LTT

- Cheese compositional standards and the Milk Class pricing system are still of concern, as EU considers that the combination of both may represent a barrier to trade.
- We are concerned that the cheese compositional standards limit our exports of Milk Protein Concentrates (MPC) and so partly nullifies the concession of zero tariffs obtained in CETA. EU exports of MPC to Canada have become negligible compared to around 1700 tonnes 10 years ago.

- The standards are not in compliance with the Codex standard for cheese; we consider that it is part of Canada's protectionist dairy policy.
- Furthermore, the Milk Class system provides high domestic prices for cheese and butter, leading to CAN's structural surplus of dairy proteins which are exported competitively. (cross subsidisation).
- CAN is now exporting more MPCs dairy proteins to the EU-increasing from very small quantities a decade ago of 200 tonnes to over 1,700 tonnes in 2021.
- The quantity of trade is not the issue, but we are following this shift in trade flows and would appreciate your views. Trade in this product category (with no tariffs on either side) should take place on a level playing field.

Background

Trade in MPCs

Although the EU has duty free access under CETA, EU exports of MPC to Canada have dropped from around 1700 tonnes 10 years to negligible quantities (just 59 tonnes so far to July this year). This is due to the combined effect of Canadian pricing policies and the cheese compositional standards which effectively limit the use of imported protein in cheese making.

EU exports of Milk Protein Concentrates to Canada

Source: Comext (Eurostat)

		Tonnes											*: Jan-Jul	
hs6	Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*		
35040010	Concentrated milk proteins with a protein content > 85 % by weight, dry matter	1,748	1,599	1,411	1,234	700	848	759	1,203	1,371	373	59		

At the same time, EU's imports of MPC from Canada have grown over the past decade from 200 tonnes to almost 1,500 tonnes in 2021. EU is now importing much more MPC from Canada than it is exporting there.

EU imports of Milk Protein Concentrates from Canada

Source: Comext (Eurostat)

		Tonnes											*: Jan-Jul	
hs6	Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*		
35040010	Concentrated milk proteins with a protein content > 85 % by weight, calculated on the dry matter	202	221	241	111	142	124	71	391	857	1,461	1,035		

Canada is exporting more dairy proteins globally (mainly to the US), not just to the EU.

CAN exports of MPC & protein derivatives

Tonnes												
Row Labels		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
35040000												
EU-27		591	798	1,364	1,325	1,240	1,437	993	2,157	1,879	2,757	
Mexico		38	6		1	1	12	11	16	3		
United States		749	693	838	764	1,062	1,933	3,203	9,290	6,790	9,019	
World		1,707	1,635	2,574	2,791	2,613	3,728	4,758	12,267	10,174	13,506	

Source: Global Trade Atlas

Milk Class Pricing

Milk pricing in Canada is operated under a Harmonized Milk Classification System closely linked to a Supply Management mechanism, based on the goal to balance domestic demand for milk fat (in fresh dairy products, cheese and butter) with supply. This policy has created a structural surplus of skimmed milk (consisting mainly of protein and lactose) which needs to be disposed of as the domestic demand for skimmed milk and its derived products is not sufficient. The surplus needs to be exported, used for feed or in some cases it even goes to waste. The creation of milk class 7 (now called class 4a) allowed Canada to export dairy proteins below the cost of production. The pricing system is complex but essentially processors pay for the milk depending on the end use of the product and the price for dairy proteins which need to be exported is set artificially low so that they can compete on world markets.

Cheese Compositional Standards

In 2009 Canada introduced regulations to amend the cheese standards in the Dairy Products Regulations and the Food and Drugs Regulations to require minimum percentages of proteins derived from Canadian milk to produce various cheeses and to allow for the balance to be filled by proteins from other dairy sources, the vast majority of which are imported into Canada. Under the Dairy Products Regulation, "*cheese...shall., except for feta cheese, have a casein content that is derived from milk or from ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream, rather than from other milk products, that is at least the following percentage of the total protein content of the cheese, namely,*

- (A) 63 per cent in the case of *Pizza Mozzarella cheese and Part Skim Pizza Mozzarella cheese,*
- (B) 83 per cent, in the case of *Brick cheese, Canadian Style Brick cheese, Canadian Style Munster cheese, Colby cheese, Farmer's cheese, Jack cheese, Monterey (Monterey Jack) cheese, Mozzarella (Scamorza) cheese, Part Skim Mozzarella (Part Skim Scamorza) cheese, Part Skim Pizza cheese, Pizza cheese, Skim milk cheese and any other variety of cheese not referred to in clause (A) or (C), and*
- (C) 95 per cent, in the case of *any other variety of cheese ..."*

The rationale behind the cheese compositional standards is to limit the importation of other dairy protein sources, such as Milk Protein Concentrates (MPCs) that are used to make cheese, and to increase the use of milk produced by Canadian dairy farmers. The requirement that a minimum percentage of the casein in cheese be derived from liquid milk (or cream) is a de facto requirement to use domestic milk rather than dried, imported ingredients.

Canada CETA Issues

2.6. EU Beef and Pork TRQs

art 4.1(a) - international relations

LTT

- We believe we have fully complied with our CETA commitments by putting in place a TRQ administration system that is as conducive to trade as possible. We have explained why in previous committee meetings in 2019 and 2020.
- As a reminder, in 2019, the EU gave details of its shared management system for TRQ administration, pointing out that automatic allocation does not mean immediate, because requests reaching the 28 Member States need to first be aggregated by the European Commission before they can be processed and issued later the same month.
- The EU makes allocations for the meat TRQs 11 times per year. Moreover, the quantities not used in a quarter are automatically carried over to the next quarter until the end of the allocation year (in October) so there are opportunities for companies to submit applications for licences throughout the year. Each applicant who has submitted an application will receive an import licence, provided that the eligibility conditions are fulfilled.
- At Canada's request, in 2020 we assisted you to draft a guide to the EU meat TRQs for publication on your website to assist your meat exporters. We hope that this will encourage increased investment to meet our standards and thus a greater take-up of the export opportunities offered by the EU quotas.
- Since the entry into application of CETA, Canada has used between 0% and 4% of its new market access for beef meat in the EU.
- In total (including Hilton beef quota) EU imported just 1,816 tonnes (cwt) of beef from Canada in 2021.
- In 2022, Canada continued to export small quantities of beef under the CETA TRQ. Under the fresh beef quota, only 851 tonnes, or 2.4% have been requested and allocated this year (to end September), and nothing under the frozen beef quota. The same order of magnitude as in previous years.
- The low fill rates are linked to markets. Canada has not yet managed to gain much of a foothold yet in the EU beef market. Canada accepts that it will take time to develop its sector to EU standards and that this is a commercial decision taken by its industry.
- The reason the TRQ is under-filled is essentially an economic one. Only a few Canadian slaughterhouses have so far invested in demonstrating compliance with EU requirements. They have more economic interests in other export markets – US and Asia. So there is no incentive for cattle producers to increase the production of “EU compliant” cattle.
- Similar considerations apply to pork. Only 46 tonnes have been requested, and allocated, under the CETA pigmeat TRQ for 2022. Again it is essentially a market issue. Until now Canada was exporting most of its pigmeat surplus to China, which saw its

production decimated due to African Swine Fever. EU is not such an attractive market for Canada as different production methods are required.

- [In case Canada also requests better access to quota utilization data, we remind you that data on quota allocation, is publicly available on-line at its Meat Market Observatory, which is a reliable and sufficient guide to actual imports for Canada. Links have already been provided and are included in the guidance document].

Possible questions to raise

- Do you expect that the interest of the Canadian beef and pork industry for the EU market will grow, as we have now reached the final quantity agreed under CETA? (We understand that processors are unlikely to export until their carcass washes are approved in the EU).
- Is the number of EU-compliant herds increasing in Canada?

Background

art 4.1(a) - international relations

Annual EU Trade, Carcase Weight in tonnes

EU, flow: EXPORT, all product groups, partner: Canada, all Marketing Years, all months. Rearrange the order of the dimensions (Product Group, Member State, Partner) to change the view.

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Product Groups	10 762	20 676	21 051	9 273	2 881	3 053	1 754	19	286
⊖ Frozen Meat	6 730	15 287	16 105	4 096	608	1 064	869	6	138
⊖ Offals	3 429	4 454	3 847	4 376	1 618	1 609	655	10	100
⊖ Preparations	367	629	472	363	383	109	39	1	13
⊖ Fresh meat	214	284	597	351	227	244	137	1	0
⊖ Salted, dried, smoked meat	20	23	30	37	45	27	53	1	5
⊖ Fats	1	0	-	50	0	0	0	-	-
⊖ Live animals	-	-	-	-	0	-	-	0	-

CAN uptake of CETA meat quotas

	2021			2022			2023
	Available quantity (t cwe)	Allocated quantity (t cwe)	Use rate	Available quantity (t cwe)	Allocated quantity (t cwe)	Use rate	Available quantity (t cwe)
09.4280 – fresh beef	29 860	780	2.6 %	35 000	851	2.4 %	35 000
09.4281- frozen beef	12 500	0	0 %	15 000	0	0 %	15 000
09.4282 - pigmeat	68 048	24	0 %	80 548	46	0 %	80 548

Source: DG AGRI

The last increase of the quotas has taken place in 2022.

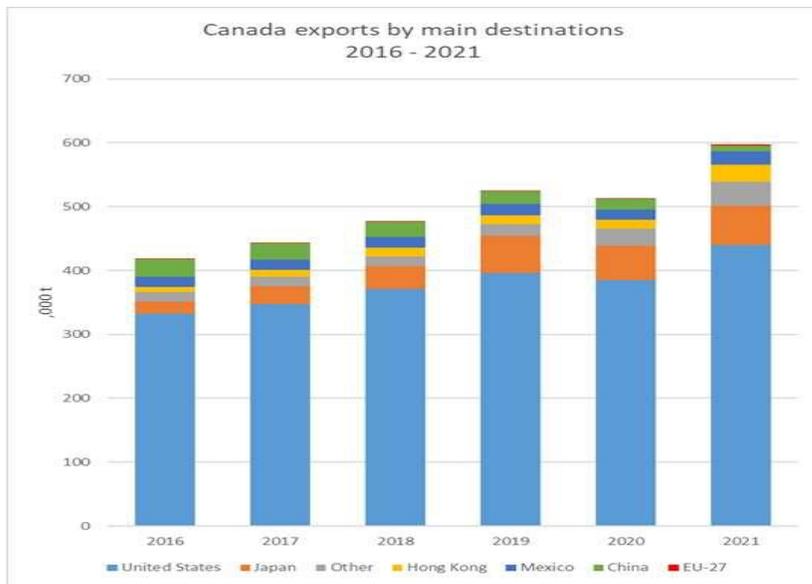
The EU could be an attractive market for the Canadian beef industry, given high EU prices relative to Asia and the US (in the context of the duty free TRQ of 50 000 t opened for Canadian beef under CETA), but there is currently a **limited number of Canadian suppliers exporting to the EU**.

Producers and feedlot operators must meet **specific production requirements** for cattle used to produce beef for export to the EU. These requirements are part of the Canadian Program for Certifying **Freedom from Growth Enhancing Products (GEPs)** for Export of Beef to the EU, as hormones used in Canadian beef production are not allowed in the EU.

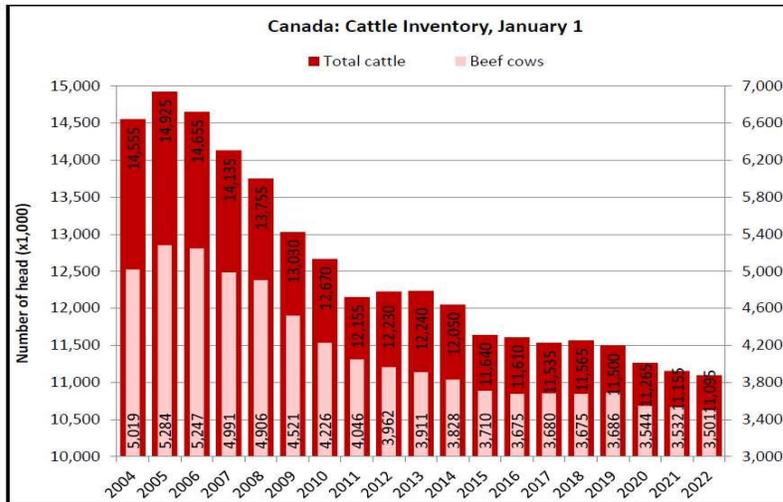
In theory, farmers could increase the production of “EU compliant” cattle and undergo the additional testing requirement. However, there is **no incentive for cattle producers to increase the production of “EU compliant” cattle**, given the lack of interest of the processors in exporting to the EU. Canadian “**carcass washes**” used to remove bacteria from meat are incompatible with EU law and it is unprofitable for the processors to adjust their carcass lines accordingly. Canadian slaughter plants wash carcasses with recycled hot water that is treated with three different solutions: lactic acid, citric acid, and peroxyacetic acid. In European slaughter plants, new water is used for every carcass wash. Canada **has requested approval of peroxyacetic acid** and is awaiting the opinion of EFSA. If this is granted we could expect an increase in CAN beef exports to the EU.

The two major Canadian beef packers are subsidiaries of art 4.2 - commercial interests and art 4.2 - commercial interests: **together they slaughter about art 4.2 - comm of Canadian cattle**. Exports to the EU are not sufficiently interesting for the two giants to adjust their carcass washing lines.

Canada’s beef export interest lies mainly in the **US (73%) and Asian markets**.



Limitations on Canada beef supply also play a role. The beef herd is decreasing and exports focus on easy access markets.



Source: Statistics Canada

2.7. Impact on WTO TRQs Post-Brexit [LTT provided by G1]

art 4.1(a) - international relations

LTT

art 4.1(a) - international relations

art 4.1(a) - international relations

Background

art 4.1(a) - international relations

art 4.1(a) - international relations

Insert Dialogue Items 1 & 2

1. Update on Member State CAP Strategic Plans art 4.1(b) - privacy to present)

2. Update on the Legislative Framework for Sustainable Food Systems (art 4.1(b) - privacy to present)

3. OTHER TRADE ISSUES

Canada Issues

3.1. EU Commission report on the application of health and environmental standards to agri-food products (Jean Ferriere to present)

art 4.1(a) - international relations

LTT

- The Commission's report on the application of health and environmental standard (including animal welfare) to imported agri-food products replies to a request from European Parliament and Council made in the context of the negotiation of the CAP.

- **The EU has no intention to deviate from WTO rules.**
- WTO law gives some possibilities to apply environmental (including animal welfare) standards to imported products, but under very limited and strict conditions:
 - Respect of the principles of non-discrimination, most favoured nation (MFN) and national treatment.
 - Article XXIV of GATT offers some possibilities to deviate from these principles under strict rules.
- Autonomous measures are not the only way to address environmental issues. **There are multilateral and bilateral routes as well. These are our preferred options.**
- But of course, that does not mean that in some cases, we will not act autonomously where other pathways do not work to address either global concerns or clear ethical concerns (like some animal welfare issues).
- **We have taken note of the contribution of Canada's government to the call for evidence.**
- **But be reassured, as a major agri-food exporting block, the EU has no interest in erecting unjustified and disproportionate trade barriers.**

Defensive

We are extremely worried that the EU will use the revision of its animal welfare legislation to impose these rules on imported products. We think this is totally disproportionate.

- **Animal welfare is a very sensitive issue for many Europeans** who are concerned how farm animals are treated.
- For example, in 2020, the EU received a petition signed by more than 1.4 million citizens across Europe calling for a ban of cage-farming.
- In a democracy, this cannot be ignored. That is why in its reply, the Commission announced that we will ban cage-farming and look how to deal with imports. This could be with reciprocity measures, labelling or cooperation.

art 4.1(a) - international relations

- But, with respect to animal welfare, despite EU efforts in the framework of the World Organisation for Animal Health (OIE), little progress is made.
- We cannot exclude that in some cases, the Commission may propose some sort of “reciprocity” measures for imports. This will of course depend on the outcome of the impact assessment that Commissioner Kyriakides’ services are preparing for the revision of the EU animal welfare legislation.
- **No decision has been made. The proposals are due for adoption later in 2023. Your stakeholders have still opportunities to make their voice heard, public consultations will be organised next year.**
- But be reassured, **whatever the Commission will propose, it will be WTO compliant.**

Background

During the negotiation of the Common Market Organisations Regulation, the European Parliament and Council invited the Commission to present, at the latest in June 2022, *‘a report containing an assessment of the rationale and legal feasibility of applying EU health and environmental standards (including animal welfare standards as well as processes and production methods) to imported agricultural and agri-food products as well as identifying the concrete initiatives to ensure better consistency in their application, in conformity with WTO rules’*.

The assessment focuses on the feasibility of the application of autonomous EU measures, in particular environmental or animal welfare production standards, to imports, emphasising that food safety standards already fully apply to imported products. The Report also describes other instruments that help raise standards globally such as efforts at multilateral level and trade agreements or bilateral cooperation.

The report is of a technical nature and does not announce any new initiatives or political commitments. It will serve as a contribution to the current debate on agricultural and food trade policy in the context of the European Green Deal, the Farm to Fork Strategy and Trade Policy Review.

A Call for Evidence (i.e. a 4-weeks public consultation) took place between 16 February and 16 March to gather stakeholder views. We received 159 contributions received including 48 from non-EU stakeholders and 20 from citizens (see hereafter contributions from Canadian stakeholders).

Contributions from Canada to the Call for evidence.

Canada Government has submitted its contribution outside the call for evidence procedure and stresses the following:

- Canada recognizes the sovereign right for countries to develop and apply domestic standards that respond to their unique geographical and environmental circumstances, as long as they do not unnecessarily impact international trade.

- Due to the wide varieties and conditions for farming, Canada considers that a “one-size-fits-all” approach would be detrimental to the efforts and technological advances to address unique challenges faced by countries
- Canada calls on the EU to conduct full trade impact assessment if possible reciprocity measures were to be considered.

Call for evidence: Joint contribution from Cattlemen’s association, Canadian Meat Council; the Canadian Pork Council and National Feeders Association

The 4 associations recommended:

- That, the EU recognizes Canada’s ability to address the EU’s goals through outcomes rather than prescriptive approaches;
- That the EU propose animal welfare regulations for consideration to the World Organization for Animal Health rather than adopting them on its own initiative;
- That the EU and Canada utilize CETA’s Regulatory Cooperation provisions to allow the European Food Safety Authority (EFSA) and the Canadian Food Inspection Agency (CFIA) to identify equivalencies in food processing, including animal health and environmental sustainability, to facilitate trade between the EU and Canada.

Revision of the animal welfare legislation

The Farm to Fork Strategy has announced an overall of EU animal welfare legislation. The package of proposals is due for adoption late 2023. It should include a proposal for animal welfare at farm level, a proposal for the transport of live animal, and a proposal for the killing of animals. Another proposal on animal welfare labelling is being prepared as well.

The impact assessment is on-going. This is a major undertaking for DG SANTE. No decision has been made except on the ban of cage-farming (following the European citizens’ initiative “End the cage age” which was supported by more than 1.4 million citizens). On cages, the one of the main unknowns is how to deal with imported products. Several options have been mentioned in Commission’s reply to the ECI: (1) import ban for products from caged-animals, (2) labelling of caged-products, (3) cooperation bilateral/multilateral level. art 4.3 – decision-making process

art 4.1(a) - international relations

3.2. EU Deforestation Policy art 4.1(b) - privacy of the individual to present)

The EU has proposed a new regulation aiming to minimise consumption of agricultural and forestry products from supply chains associated with deforestation. art 4.1(a) - international relations

art 4.1(a) - international relations

LTT

- At the UN Climate Change Conference last year, in Glasgow (COP26), CAN and the EU both signed up to the declaration on forest and land use, which aims to halt and reverse forest loss and land degradation by 2030. The Commission's legislative proposal on deforestation associated with commodities is part of the EU's response to that global commitment.
- The proposal will apply basically to 6 products, namely: beef, wood, palm oil, soya, coffee and cocoa.
- The proposal will introduce new due diligence requirements, to ensure that the products do not come from deforested areas.
- Importantly, the proposal is in line with our international trade obligations. In particular:
 - It does not discriminate against imported products. The regulation will apply equally to commodities produced in the EU.
 - The deforestation-free definition and the cut-off date are based on internationally agreed definitions and commitments, such as the definitions of the FAO.
- **The Commission has proposed December 2020 as a reference date to assess whether deforestation has occurred. Therefore, you should not fear that any of the vast areas that are already dedicated to agricultural production in Canada today would be barred from the EU market.**
- The proposal differentiates between high-risk, standard-risk and low-risk countries. Low-risk countries will enjoy simplified due diligence requirements.
- The exact design of the system will depend on the final steps of the legislative procedure, as both the European Parliament and the Council have put forward some amendments.
- With that caveat, I would not anticipate any particular issue for Canadian beef producers.

Background

The legislative proposal

On 17 November 2021, the Commission adopted a proposal for a Regulation¹ to prevent deforestation and forest degradation associated with commodities products. This comes on the heels of the Glasgow Climate CoP26 which saw countries around the world come together to commit to halt and reverse forest loss and land degradation by 2030².

The proposed Regulation scope covers six commodities (beef, wood, palm oil, soya, coffee and cocoa) as well as a number of products containing or produced with such commodities.

It sets mandatory due diligence rules for any company intending to place on the EU market the commodities and products in scope. The origin of the product has to be known and controlled. (For example, the farm on which an animal was raised.)

Only deforestation-free will be allowed on the EU market. If the activity does not involve neither land use change from forest to agriculture nor forest degradation, then the product can be placed on the EU market.

A benchmarking system operated by the Commission will categorise countries (or parts of countries) in three categories (high, standard and low) according to the level of risk of deforestation and forest degradation driven by the commodities in scope.

The obligations for operators and member states authorities will vary according to the level of risk of the country of production, with simplified due diligence duties for products coming from low-risk countries and enhanced scrutiny for high-risk countries.

Both the Council and the European Parliament have proposed some changes to this system. The final outcome depends on the results of inter-institutional negotiations, which are to start in September 2022.

Art 4.1(a) - international relations

Art 4.1(a) - international relations

As grazing under native grassland does not involve land use change from forest to agriculture, the Commission proposal will not have an impact on that.

Grazing of cattle under trees is also an appropriate method as long as it does not lead to forest degradation.

For countries like Canada, the system is likely going to be as light as the proposal allows but in the end products have to be traceable and deforestation free status controllable.

¹ Proposal for a Regulation of the European Parliament and of the Council on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (COM(2021)706 final)

² See Glasgow Leaders Declaration on Forests and Land Use: <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

3.3. Contaminants and Pesticides

Art 4.1(a) - international relations

LTT

- The EU is open to address Canada's specific concerns related to the setting of maximum residue levels for pesticides and import tolerances. These issues are regularly discussed at multilateral and existing bilateral level.
- On this, we reiterate that all import tolerance requests systematically undergo a risk assessment process, as foreseen by the EU legislation on maximum residue levels, and in line with international rules.
- As announced in the Farm to Fork Strategy, the Commission is considering when and how to take environmental concerns into consideration when deciding on applications for import tolerances for pesticides no longer approved in the EU due to environmental issues, while respecting WTO standards and other international obligations.
- We are particularly concerned by the global decline of pollinators. As a first step, the Commission has proposed to lower all existing MRLs for the neonicotinoid substances clothianidin and thiamethoxam to zero. It is well established that neonicotinoids are very harmful to pollinators because of their intrinsic properties. Non-EU countries were notified through the Committee on Technical Barriers to Trade (TBT) and the Committee on Sanitary and Phytosanitary measures.
- Discussions between experts take place within the CETA Joint Management Committee on Sanitary and Phytosanitary Measures, which is meeting later this month. The EU is willing to discuss any specific concerns that Canada may have.
- Our Committee should not duplicate their work.

Additional talking points, if needed

- In principle, the EU pesticides legislation is risk-based, except for a minority of substances that meet the so-called 'cut-off criteria'. For these, the hazards are

particularly serious and in most cases it is not possible to set a safety threshold. Therefore, any exposure is considered to cause unacceptable risk – so even for these, risk is implicitly considered.

- For any other pesticide active substance, it is also possible to request import tolerances for active substances falling under the hazard-based ‘cut-off criteria’ of the EU legislation.
- The EU’s Farm to fork strategy has a strong focus on sustainability and aims at achieving gradually a move towards a more sustainable food production globally. As a consequence the Commission will take into consideration environmental concerns of global nature – such as pollinator decline – when deciding on applications for import tolerances for pesticides no longer approved in the EU due to such concerns.

Background

‘Cut-off criteria’ pesticide substances

Art 4.1(a) - international relations

Substances falling under the ‘Cut-off criteria’ are for example those classified as carcinogenic, mutagenic, toxic to reproduction (Categories 1A and 1B – as set out in the UN Globally Harmonised System for classification and labelling), or they interfere with the hormonal system. These hazards are so severe that EU legislators consider that any exposure to those leads to unacceptable risk. Hence, it is not correct to describe this approach as exclusively hazard-based – exposure is implicitly considered and any exposure found unacceptable. Due to the danger to human health, a pesticide substance falling under the ‘cut-off criteria’ cannot be approved in the EU (unless it falls under limited derogation possibilities).

Nevertheless, such substances may be authorised and legally used in Canada and elsewhere in the world. Canada is concerned that for exported agri-food products the EU will set the same residue limit that is applied within the EU (which is practically zero once uses in the EU are no longer possible), which they will have difficulties to comply with.

Setting import tolerances for ‘cut-off criteria’ pesticide substances

To meet the needs of international trade, non-EU countries have the legal right to request the setting of maximum residue levels for products imported to the EU. This is called an import tolerance.

As foreseen by the EU legislation on maximum residue levels and in line with international rules, the Commission can reassure Canada that all import tolerance requests for such substances will systematically undergo a risk assessment.

Farm to Fork Strategy

The Farm to Fork Strategy has a strong focus on sustainability and aims at achieving gradually a move towards a more sustainable food production globally.

The Commission will take into account environmental aspects when assessing requests for import tolerances for pesticides substances no longer approved in the EU while respecting international standards and WTO obligations. This is in particular relevant when the approval or renewal of approval in the EU was not granted due to environmental concerns that are of global nature – such as pollinator/insect decline, which occurs everywhere. As a consequence, the Commission has not granted an import tolerance for clothianidin on potatoes from Canada. (In March 2021, Canada also banned certain uses and introduced stricter rules on other uses of clothianidin³, including on potatoes, and another neonicotinoid⁴.)

The Strategy also states that the EU will consider, in compliance with WTO rules and following a risk assessment, reviewing import tolerances for substances meeting the "cut-off criteria" and presenting a high level of risk for human health. The EU will engage actively with trading partners, especially with developing countries, to accompany the transition towards the more sustainable use of pesticides to avoid disruptions in trade and promote alternative plant protection products and methods.

In order to be able to act globally, it is key that the EU actively engages with its trading partners in order to explain these principles in advance of taking measures and try to reach support and agreement. The available instruments are green diplomacy, building green alliances, bilateral trade agreements including a chapter on sustainable food systems and development support instruments.

The specific case of Neonicotinoids

As a new development announced in the Farm to Fork Strategy, the Commission will take environmental issues of global concern into account when deciding on import tolerance requests. These environmental issues of global concern include, for example, the global decline of pollinators or the contamination of the environment with persistent bioaccumulative toxic chemicals. As a first step, existing MRLs for substances not approved in the EU due to these concerns will be lowered to the technical zero.

Subsequently, applications for import tolerance for these substances will be evaluated and may be accepted if an applicant can demonstrate that the specific use of a substance on a given crop does not give rise to concern (e.g. use is limited to greenhouses and there are no releases to the environment). Import tolerances for other substances that are no longer approved in the EU but which do not give rise to global environmental concerns and for which EFSA has concluded that MRLs are safe for consumers will continue to be granted.

Following a number of awareness-raising activities to inform all stakeholders, including third countries, of our intentions, as a first step, a draft regulation to lower the existing MRLs for neonicotinoids clothianidin and thiamethoxam to the technical zero (also referred to as ‘limit of quantification’) has been prepared and was notified to third countries under the World Trade

³ <https://www.canada.ca/en/health-canada/services/consumer-product-safety/reports-publications/pesticides-pest-management/decisions-updates/special-registration-decision/2021/clothianidin.html>.

⁴ <https://www.canada.ca/en/health-canada/services/consumer-product-safety/reports-publications/pesticides-pest-management/decisions-updates/special-registration-decision/2021/thiamethoxam.html>.

organization's TBT agreement with a commenting deadline of 60 calendar days that ended in early September 2022.

Lowering the existing MRLs for other neonicotinoids (e.g. imidacloprid) and for persistent bioaccumulative toxic substances (such as quinoxifen and lufenuron), taking into account environmental factors, will follow in a second step.

Contaminants

Art 4.1(a) - international relations

The basic principles of EU legislation on contaminants in food are laid down in Council Regulation 315/93/EEC – which is not new. Generally speaking, food containing a contaminant to an amount unacceptable from the public health viewpoint shall not be placed on the market, and contaminant levels shall be kept as low as can reasonably be achieved following recommended good working practices. Besides, maximum levels must be set for certain contaminants in order to protect public health. Such maximum levels are set out in Commission Regulation (EC) No 1881/2006, which is regularly updated.

3.4. EU's Inception Impact assessment on Food Labelling

Art 4.1(a) - international relations

LTT (provided by DG SANTE)

- In line with the announcement made in the Farm to Fork Strategy and Europe's Beating Cancer Plan, the Commission is preparing its proposal on the revision of the Regulation on Food Information to Consumers.
- This proposal aims to introduce harmonised front-of-pack nutrition labelling; set nutrient profiles to limit nutrition and health claims made on food; extend mandatory origin labelling to certain foods and foods as ingredients; clarify the rules on date marking; and update the rules regarding labelling of alcoholic beverages (list of ingredients and nutrition declaration).
- To support the Commission proposal, an impact assessment covering the different labelling initiatives is being finalised. The impact assessment builds on extensive consultations, addressed to Member States and to other stakeholders.
- Moreover, scientific advice from the European Food Safety Authority and several recently published reports from the Joint Research Centre provided further input to the impact assessment.
- At this stage, no final decision has been made regarding the revisions to be put forward in the legislative proposal as the impact assessment is still being finalised.

- The adoption of the proposal by the Commission is scheduled for the coming months. It will be followed by the ordinary legislative procedure involving the European Parliament and the Council.

Origin labelling

- The Commission is fully aware that a very large share of consumers find the origin of their food important, and believes that adoption of national measures is not the appropriate way to respond to such consumers' demands.
- As announced in the Farm to Fork Strategy, the Commission is committed to find a long-term solution by proposing by the possible extension of mandatory origin labelling for certain products in the coming months, following an impact assessment.
- The following foods were identified as those in which consumers have particular interest to know where they are coming from: milk and milk used as an ingredient, meat used as an ingredient, rabbit and game meat, rice, durum wheat used in pasta, potatoes and tomato used in certain tomato products.

Background

State of play regarding food labelling initiatives related to a proposal for a revision of Regulation (EC) No 1169/2011 on the provision of food information to consumers (FIC Regulation)

DG SANTE is advancing with its preparations regarding the different actions announced in the F2F Strategy and Europe's Beating Cancer Plan for end 2022 related to the provision of food information to consumers (front-of-pack nutrition labelling, nutrient profiles, origin labelling, date marking and labelling of alcoholic beverages).

In December 2020, the Commission published for public feedback an inception impact assessment outlining the policy options, which are based on existing formats already developed in the EU.

Based on the scientific advice of the European Food Safety Authority and a report by the Commission's Joint Research Centre, the Commission will finalise its impact assessment and draft the legislative proposal. The adoption of the Commission proposal is planned in the coming months. After the adoption of the Commission's proposal, the co-decision process with the European Parliament and the Council is expected to start in 2023 under the Swedish Presidency.

3.5. EU Veterinary Medicinal Products Regulation

Art 4.1(a) - international relations

LTT

- The new EU regulation on veterinary medicines is an important legal instrument to fight against antimicrobial resistance, which is one of the most serious global threats of our time.
- The Commission adopted the delegated act establishing the criteria for the designation of critical antimicrobials on 26 May 2021. The list of critical antimicrobials has been notified to the WTO SPS Committee by the EU.
- We will continue to act in full transparency and will keep Canada informed of the development on the import-related measures.
- Discussions between experts take place within the CETA Joint Management Committee on Sanitary and Phytosanitary Measures, which is meeting later this month. Our Committee should not duplicate their work.

Background

As from 28 January 2022, a revamped legislation on veterinary medicinal products is applicable in the EU. Under the new EU Regulation on veterinary medicines, operators in non-EU countries wanting to export animals and of products of animal origin into the EU will have to respect the ban on the use of antimicrobials for promoting growth and increasing yield, as well as the ban on the use of those antimicrobials designated in the EU, which are critically important for human use. Critical antimicrobials were notified to the WTO SPS Committee by the EU.

The Regulation contributes to the fight against AMR by adopting a coherent approach and ensuring that animals and products of animal origin on the market in the EU have not been treated with antimicrobials in an irresponsible or imprudent way, regardless of their provenance. It is central to achieve the F2F target to reduce overall EU sales of antimicrobials by 50% for farmed animals and in aquaculture by 2030.

When setting measures against antimicrobial resistance it is important to consider its spread in a global context. The spread of resistant organisms does not respect borders. For this reason, in the EU's view, it is necessary to ensure that operators in third countries respect certain basic requirements on antimicrobial resistance in relation to animals and products of animal origin exported to the EU.

In March 2019, DG SANTE organised an information session to major trade partners, including Canada, to explain the broader context of the EU policy against antimicrobial resistance and to inform about the planned consultation activities on the future tertiary legislation.

In Canada, since December 2018, all “medically important antimicrobials” are sold on veterinary prescription only. Furthermore, growth promotion and similar claims are removed from the labels while responsible use statements are added. It is understood from the website of the Canadian Government that “medically important antimicrobials” include all antibiotics, used in human medicine.

→ Points 4 to 6 to be taken after the Agriculture Dialogue

4. ANY OTHER BUSINESS
5. ACTION ITEMS - INCLUDING REPORTING TO CETA COMMITTEE ON TRADE IN GOODS
6. TIME AND VENUE OF NEXT MEETING

out of scope

out of scope

Pages 34 to 38 are out of scope and have been redacted

Back to Ag Committee Agenda

4. ANY OTHER BUSINESS

5. ACTION ITEMS – INCLUDING REPORTING TO CETA COMMITTEE ON TRADE IN GOODS

LTT:

- Report to be published as soon as possible. Canada's turn to prepare a first draft?
- The next meeting of the CETA Trade in Goods Committee is not yet scheduled. (TRADE can confirm.)

6. TIME AND VENUE OF NEXT MEETING

- We can meet again in autumn next year, hopefully a physical meeting.
- It will be Canada's turn to organise the meeting, in Ottawa if physical meeting.

ANNEXES

ANNEX 1 - EU CROP IMPORTS FROM CANADA

Due to the poor harvest in Canada in 2021, imports of durum wheat (-33%) and canola (-44%) were sharply down on recent years. Nevertheless Canada remains the top supplier of durum wheat to the EU.

EU durum wheat import origins (July - June)



Source: Eurostat- Comext @ 12 Sep 2022

EU rapeseed import origins (July - June)



Source: Eurostat- Comext @ 12 Sep 2022

The expected recovery for the harvest of 2022/23 should lead to a return to more normal exports to the EU.

Canada: Outlook for Principle Field Crops in 2022/23

(source: AAFC; crop year = Aug/July)

22-08-2022	2020/21	2021/22 f	2022/23 f	m/m	y/y
Durum prod' (m t)	6.57	2.65	6.27	+0.8	+136.1%
exports (m t)	5.77	2.66	5.00	+0.6	+88.0%
All wheat prod' (m t)	35.18	21.65	34.51	+0.8	+59.4%
exports (m t)	26.30	14.96	23.00	+0.6	+53.7%
Barley prod' (m t)	10.74	6.95	9.40	+0.3	+35.3%
exports (m t)	4.28	2.62	3.45	+0.4	+31.7%
Oats prod' (m t)	4.58	2.61	4.59	+0.3	+76.1%
exports (m t)	2.97	2.30	2.85	+0.2	+23.9%
Canola/rapeseed prod' (m t)	19.49	12.60	18.40	-	+46.1%
Exports (m t)	10.59	5.15	9.20	+0.20	+78.6%

EU27 2022/2023 Production

(million tonnes)

	2021/22	2022/23		vs. 2021/22 (%)
		July Projection	August Projection	
Soft wheat	130.1	123.9	126.0	-3.2
Durum wheat	7.7	7.1	7.1	-8.0
Barley	52.0	51.5	50.4	-3.0
Maize	72.7	65.8	59.3	-18.4
Rye	7.8	7.5	7.4	-4.7
Oats	7.5	7.5	7.6	1.5
Total	293.8	278.5	272.7	-7.2

Source: DG AGRI - E4

ANNEX 2 - CANADIAN CHEESE TRQ COMMITMENTS

Under CETA, Canada grants additional duty-free access to EU cheese in the form of tariff rate quotas (TRQs) more than doubling the quantity that was available prior to CETA (an increase of 137%). The additional market access will effectively total 18.500 tonnes as of 2022.

CETA includes a declaration on TRQ administration (Annex 2-B) where both the EU and Canada outline the main features of the licence systems to be put in place for the EU meat TRQs and the Canada cheese TRQ. According to this declaration, “the eligibility criteria and allocation method should result in the quotas going to those persons that are most likely to use it and must not create barriers to imports”.

Given the importance of the cheese TRQ as an outcome of CETA for the EU, it is crucial that TRQ management is viewed as effective and transparent. Although the quota has been regularly filled (96% rate in 2019), the EU has strong concerns about how the quotas are managed:

- 50% of the high value cheese quota is allocated to Canadian cheese manufacturers, who are in direct competition with EU cheese suppliers;
- There is a significant rate of transfers (quota holders transferring their quota share to other businesses), which are a sign that the quota is not allocated to those most likely to use it (a CETA requirement);
- Transfers are accompanied with high fees which impact the price of EU cheeses and therefore affect the competitive position of EU cheeses in Canada;
- The quotas tend to be filled towards the end of the year, as the market price for transfer fees decreases. The late fill rate also tends to affect prices and costs, as the larger quantities of cheese imported at the very end of the year tend to exceed the short-term demand.

In April 2019, the EU requested a formal review of Canada’s CETA cheese TRQs.

In the meantime, Canada has undertaken a general review of the administration of all of its TRQs. The EU has made submissions into the two consultation phases of this process (July 2019 and May 2020), but holds the view that the CETA review is separate.

The matter was discussed in detail at the last meeting of the Committee on Agriculture on 23 September 2019. Canada announced that it will consider disciplines on transfers such as transfers’ costs or penalties for “abusive” transfers within its review process.

In March 2020, in the context of its comprehensive review of TRQ management, Canada started a second phase of consultations, this time on a number of policy options put forward by the Minister. The EU has made a submission to the consultation which closes on 4 May. The final choice will be a political decision. A minority government is more likely to decide in favour of the dairy lobby (most dairy farmers are located in Quebec).

The EU position remains that it is against the pool system set up by Canada as it is intrinsically biased. **Art 4.1(a) - international relations**

ANNEX 3 - KEY EU CONCERNS IDENTIFIED IN THE EU SUBMISSION TO CANADA'S TRQ MANAGEMENT SYSTEM REVIEW (JULY 2019)

The main elements where EU proposes changes to the TRQ management system are as follows:

Allocation method – EU proposes a hybrid method

EU is open to different solutions. For the CETA industrial cheese tariff rate quota, which is under-utilized, we consider that a first come first served allocation method could increase uptake of the quota.

For the CETA cheese tariff rate quota we would favour a system in which interested operators could request a specific quantity, along the lines of the EU method of simultaneous examination. Under such a system, equal treatment is guaranteed as each applicant who has submitted an import license application will receive an import license, provided that the eligibility conditions are fulfilled.

The current management system for this quota, based on market share, is not conducive to allocating the quota to those most likely to use it in the first place. Most of the companies whose core business is in cheese production or retail are not likely to have the operational capacity or the expertise to import cheese from the EU directly. Moreover, in light of the requirements of market share and the system of pools, EU cheese exporters would need to invest significantly in cheese production or distribution in Canada before they can get access to meaningful quota allocations. This discourages most EU operators except for a handful of major players who have the means to make significant investments in order to have the possibility of acquiring important market shares as producers and consequently meaningful quotas.

Activity requirements

Being a cheese manufacturer should not be an activity requirement to become an importer under the CETA cheese tariff rate quota. Most companies whose core business is in cheese production are not likely have the operational capacity or expertise to import cheese from the EU directly. Hence, cheese producers are not most likely to use the quota themselves. Applicants should have been engaged in trade in dairy products (imports or exports, but preferably imports) in recent years, rather than only on the domestic cheese market. Licenses should be limited to applicants who have actually imported, who can demonstrate direct import capacity, which would exclude those who have transferred all of their quota allocation and who are engaged mainly in the domestic market but have no interest in importing or were not in a position to use their quota allocation. This should apply to both the WTO cheese quota (as is the case now) and to the CETA cheese tariff rate quota.

As regards the CETA industrial cheese tariff rate quota, which is under-used, the present criterion on processing cheese could be sufficient.

Threshold of activity

The EU would support a minimum threshold of activity for non-industrial cheeses, for instance of 20 tonnes of imports (1 container load), in order to ensure that quota holders can conduct economically viable imports. The quantity should be sufficient to ensure that the operator is a genuine trader, but not so high as to deter new entrants. As required under CETA, there should

be specific provisions for new entrants, who should be allocated a minimum 30% of the quota until 2021 and 10% thereafter.

New entrants

For the CETA cheese tariff rate quota and the WTO cheese tariff rate quota, applicants should have been engaged in trade in any dairy products in recent years.

In the case of the CETA industrial cheese tariff rate quota, no minimum activity threshold required for new entrants.

Allocation Reserves/pool system

Reservation of quota for certain categories adds rigidity to the system. For the CETA cheese tariff rate quota, the EU would like to see the end of the pool system of allocation, which makes the system too rigid and hampers allocation of quota to applicants who are most likely to use it.

Based on our experience in the last two years and feedback from EU stakeholders, the pool system has led to very significant transfers of the initial allocations. The EU would appreciate to receive more data from Canada in order to assess the scale of the transfers. Nevertheless, these industry reports are indirectly corroborated by the late uptake of the quota in 2018.

While being a processor of cheese is a relevant eligibility criterion for the industrial cheese quota, being a Canadian manufacturer of cheese should not allow a company to benefit from reserved quantities under the CETA cheese tariff rate quota.

Reserving quantities for small and medium sized enterprises may lead to broader access, and as such may be beneficial, but is also adds rigidity to the system. While small and medium sized companies specialised in international trade would likely have the capacity to actually use quota allocations, this is less likely to be the case for cheese producers or retailers.

As regards new entrants, a reserved portion is foreseen for them in the CETA agreement for the cheese tariff rate quota. Such a portion should not simply be “available” but explicitly allocated to them.

Operators should be ensured full access to the Canadian market without any regional allocation.

Transfers

There are benefits in having a transfer system between eligible professional operators to maintain flexibility and allow for full use of quota.

Transferring quota to another allocation holder should not be considered as utilization for the purposes of the underutilization penalty as it allows operators to remain eligible without importing.

Allocation holders who transfer their allocation in consecutive TRQ years may continue to be eligible for an allocation in successive years in relation to the volume of quota actually imported. The penalty should not result in non-eligibility if the operator is using a significant share of their quota allocation, but should discard operators who do not use their quota allocation (and transfer it in full), or use only a minor part of it.

In that context, the EU would like to raise concerns with the definition of the “utilization rate” as set out in footnote 1 to the notice to importers of 1 October 2018. Pursuant to the formula, transfers out are considered as utilised quantities. That is not conducive to assessing whether the quota has been allocated to those most likely to use it in the first place. Abuse could also be limited by not recognising quota transfers as part of utilisation thus penalising quota holders for quota transfer in the allocation for the subsequent year.

Impact on consumers

Under the current system of pool allocation, with 50% of quota allocated to manufacturers, imports should increase availability of product for consumers but there is unlikely to be an appreciable effect on prices, to the detriment of Canadian consumers. In practice by reserving 50% of quota to manufacturers there is a risk that manufacturers import cheeses that are not competing with their own domestic production, as opposed to importing the cheeses most in demand from consumers, thus distorting the market for consumers and reducing choice.

ANNEX 4– EU SUBMISSION TO CANADA’S SECOND CONSULTATION ON THE REVIEW OF TRQS (MAY 2020)

The EU welcomes the opportunity to respond to Canada’s second consultation on the administration of its tariff rate quotas (TRQs), in particular in relation to the CETA and WTO cheese TRQs. The other quotas are currently of less interest commercially to EU industry. The EU would also like to remind Canada that it already submitted its views in its submission to Canada’s first consultation, as well as in the context of the bilateral mid-term review of the cheese quota under the Comprehensive Economic and Trade Agreement (CETA), which Canada has disregarded. The EU considers that these reviews should aim at providing effective market access for EU companies and sound competition within the tariff rate quotas.

Concerning the WTO cheese quotas, the EU is concerned that the current administration limits competition as it is based on historical allocation, which does not favour competition. However the EU does not support the options for change that Canada is proposing, namely to pool the TRQ allocation by category of operators. That would create unnecessary constraints on market access for EU cheeses by allocating a high share of the TRQ to operators which are not the most likely to use it.

Concerning the CETA cheese quota, the EU considers that its industry would be better able to take advantage of the quota if certain changes were made to the administrative rules. These relate notably to the pooling system with allocation of half of the quota to cheese manufacturers, who are the EU’s direct competitors, as well as the system which appears to allow almost unfettered transfers between operators, to the perceived detriment of EU business which sees exports concentrated into the tail end of the year. While the EU acknowledges that the quota is almost filled, nevertheless industry would like to be able to access the Canadian market all year round.

Turning to the question of transfers, which is an important concern for the EU, we recognise that this facility is needed to maximize the use of the CETA cheese quota, but operators should not be permitted to abuse the system and earn high quota rents through transfer, particularly as there is no official data on the volume of quota transfer or the rents paid. This basic market data is also something we have requested in the past and was highlighted in the EU’s submission to the first consultation in 2019, but this has not yet been forthcoming.

In any case the EU considers that chronic returns and under-utilization must be strictly penalised and that Canada’s own administration rules should not inadvertently encourage such behaviour. For example, the formula for definition of under-utilisation should not include returns and transfers as “utilised” quota with the result that the quota holder suffers no penalty in the following years in terms of a subsequent cut in quota allocation. This situation could perpetuate the under-utilisation of quota. Moreover, the penalty system should go together with enhanced transparency on returns and transfers. As the CETA quota has been running for several years already, abusive patterns should be eliminated without further delay. Therefore, penalties and increased transparency should become effective at the earliest opportunity—namely for the allocation and administration of the 2021 quota.

In relation to other issues, the EU would encourage Canada to introduce a minimum threshold for the allocation of the CETA cheese quota. Unallocated quota should be offered with as much flexibility as possible. The EU has concerns with options that would make the pooling system even more rigid (such as reallocating returned quotas within the limits of a pool).

DETAILED COMMENTS ON POLICY OPTIONS

EU Comments on Canada's Policy Options for the Administration of Supply-Managed TRQs

Policy element	Option 1	Option 2	Option 3	EU Comments
Reference Period	12 month period preceding the opening of the application period for the respective TRQ. The last month of this period would occur 2 months prior to the opening of the TRQ application period.	N/A	N/A	No comment
Normally Active	Require applicants be active in all 12 months during the reference period in order to demonstrate activity.	Require applicants be active at least 9 months during the reference period in order to demonstrate activity.	N/A	No comment
Allocation Calculation for Processors/Distributors/Retailers	Base allocation calculations for processor/distributor/retailer applicants on their sales of goods covered by the TRQ.	N/A	N/A	The EU notes that this approach is linked to market-share allocation, which is not the EU's preferred option for the allocation of TRQs.
Allocation Calculation for Further Processors	Base allocation calculations for further processor applicants on their use of goods covered by the TRQ.	N/A	N/A	The EU notes that this approach is linked to market-share allocation, which is not the EU's preferred option for the allocation of TRQs.
Allocation Caps	No allocation caps.	Use allocation caps - No individual allocation (or set of related-party allocations) may exceed 10% of the available TRQ.	Use allocation caps - No individual allocation (or set of related-party allocations) may exceed 5% of the available TRQ.	Need to clarify to what the % would apply when the quota is pooled: would the % apply to the pool or to the whole TRQ? In principle, the EU may agree with setting a cap for over-demanded quotas, to allow for competition within the TRQ. This should however be flexible enough to avoid under-allocation.
Minimum Allocations	Do not establish minimum allocations for any TRQs.	Establish applicant-identified minimum allocations for all TRQs.	Establish TRQ administrator and applicant identified minimum allocations for those TRQs that have significant numbers of applicants.	The EU suggests introducing minimum allocation where necessary to avoid uneconomically small allocations.

Policy element	Option 1	Option 2	Option 3	EU Comments
Allocation of Unallocated Quota	In the event that a TRQ is not fully allocated following the initial allocation process, available quantities will immediately be offered to eligible applicants in proportion to their allocation, and on demand if quantities remain after the first offer	In the event that a TRQ is not fully allocated following the initial allocation process, available quantities will immediately be offered on demand to eligible applicants	In the event that a TRQ is not fully allocated following the initial allocation process, available quantities will immediately be offered on demand to any requestor	Need to clarify whether “eligible applicants” mean “within the pool”. The EU considers that unallocated quota be offered with as much flexibility as possible. Notably, where Canada applies a pooling system for the initial allocation, that system should not apply when allocating unallocated quota
Transfer Policy	No restrictions on transfers With the Minister’s consent, allocation holders may be permitted to transfer allocations to other allocation holders	Limit transfers Potential restrictions include limiting transfers within the allocation holders’ pool, restricting transfers to either transferring-out or transferring-in, or limiting the amount of quota that an allocation holder can transfer out	Normally prohibited transfers Transfers would only be approved in exceptional circumstances, which would be evaluated on a case by case basis	No comment on the proposed policy options. The EU considers that transfers can provide useful flexibility to avoid under-utilisation of a TRQ as a whole, if seen as a tool for holders to cope with unforeseen market events. However, the EU considers that transfers should not be a widespread, regular practice. For the purpose of under-utilisation calculation, they should not count toward utilisation of the holder’s quota allocation. Furthermore, the EU is concerned that there is no official data on the volume of quota transfer and rents paid and has consistently requested this basic market data. However this has not yet been forthcoming.

Policy element	Option 1	Option 2	Option 3	EU Comments
Return Date	Standard return date across all TRQs Four months prior to end of TRQ year	N/A	N/A	No comment on the policy option. The EU considers that returns can provide useful flexibility to avoid under-utilisation of a TRQ as a whole, if seen as a tool for holders to cope with unforeseen market events. However, the EU considers that returns should not be a wide-spread, regular practice. For the purpose of under-utilisation calculation, they should not count toward utilisation of the holder's quota allocation.
Re-allocation of Returned Quota	All allocation holders - Returned quantities will normally be made available to interested allocation holders who have not returned any unused quantity of their allocation.	Pool specific - Returned quantities will normally be made available to interested allocation holders only within the pool under which the return occurred who have not returned any unused quantity of their allocation.	In the event that any quota is returned TRQ it will be made available on demand to any requestor.	EU would support the most flexible approach (option 3), so as to facilitate the maximum use of the quota. The EU has serious concerns with option 2, which risks ending up in a TRQ not being fully utilised because of the pooling system.
Chronic Return Penalty	Chronic returns will not be penalized.	Chronic returns will be penalized. Allocation holders who return 20% or more of their initial allocation for two consecutive years will normally have their allocation reduced in the following year by the average of the returned quantities over the two years.	N/A	The EU considers that returns can provide useful flexibility to avoid under-utilisation of a TRQ as a whole, if seen as a tool for holders to cope with unforeseen market events. However, the EU considers that returns should not be a wide-spread, regular practice. For the purpose of under-utilisation calculation, they should not count toward utilisation of the holder's quota allocation. Moreover, chronic returns should be strictly penalized.

Policy element	Option 1	Option 2	Option 3	EU Comments
Under-Utilization Penalty	<p>Separate under-utilization rates by industry</p> <p>Poultry and Eggs – using less than 90% of allocation in any one year may be subject to an under-utilization penalty in the following year</p> <p>Dairy – using less than 95% of allocation in any one year may be subject to an under-utilization penalty in the following year</p>	<p>95% under-utilization rate across all TRQs</p> <p>Using less than 95% of allocation in any one year may be subject to an under-utilization penalty in the following year</p>	<p>90% under-utilization rate across all TRQs</p> <p>Using less than 90% of allocation in any one year may be subject to an under-utilization penalty in the following year</p>	<p>A strict financial penalty for underutilization must apply immediately the following year</p> <p>Importantly, transfers and returns should not be considered as utilisation of quota This loophole must be plugged as a high share of the total quota is transferred each year (though no clear data has been published) Therefore the quota holder who “transfers out” is considered to have fully utilised their quota and is thus entitled to receive the full entitlement again the following year Meanwhile the quota holder who rents the quota is also entitled to claim use of the same quota This system grants a permanent rent to the quota holder who rents every year, thus perpetuating the cycle The formula for under-utilisation must be adjusted to take account of the amended definition This has important implications for application of penalties for non-utilisation</p>

EU comments on Canada's Policy Options for the Allocation of Supply-Managed TRQs

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
Fluid milk	WTO	100% is deemed filled by cross border shoppers, and is available by way of General Import Permit No 1 –Dairy Products for Personal Use	N/A	N/A	No comment
	CPTPP & CUSMA	85% is allocated to processors on a market-share basis 15% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	No comment
Cream	WTO	100% is allocated to distributors on a pro-rata basis	100% is allocated to distributors on an equal-share basis	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	No comment
Butter	WTO	100% is allocated to the Canadian Dairy Commission	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on a market-share basis	N/A	The EU has concerns with a quota allocated fully to the Canadian Dairy Commission. TRQs should be allocated to businesses most likely to use them.

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
	CPTPP & CUSMA ⁵	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	No comment
Skim Milk Powder; Milk Powder; and Cream Powder ⁶	CPTPP ⁷ & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	No comment
Buttermilk Powder	WTO	100% is allocated to historical allocation holders	100% is allocated to distributors on an equal-share basis	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	No comment
Whey Powder	WTO	100% is allocated to processors and further processors on a pro-rata basis	100% is allocated on-demand to any registered client of the Department's Export and Import Control System	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs

⁵ CUSMA butter TRQ also includes cream powder, but given the higher value of butter to cream powder, the Department will allocate this TRQ on assumption that it will be used almost exclusively for butter

⁶ These options apply to the separate TRQs for these products that are established under CPTPP and CUSMA (five TRQs in total)

⁷ CPTPP includes a discrete TRQ for cream powder. See footnote on the butter TRQ for discussion on cream powder in CUSMA

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	100% is allocated on-demand to any registered client of the Department's Export and Import Control System	No comment
Concentrated Milk	WTO	100% is allocated to historical allocation holders	100% is allocated to distributors on an equal-share basis	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs
	CPTPP & CUSMA	85% is allocated to processors on a market-share basis 15% is allocated to distributors on an equal-share basis	75% is allocated to processors on a market-share basis 25% is allocated to distributors on an equal-share basis	N/A	No comment
Yogurt	WTO	100% is allocated to distributors on an equal-share basis	TRQ is allocated first to historical allocation holders, and second to distributors on an equal-share basis	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs
Yogurt and Buttermilk	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	85% is allocated to processors on a market-share basis 15% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	No comment

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
Products of Natural Milk Constituents	WTO	100% is allocated to processors and further processors either on an equal-share basis, or if the amount requested by any applicant is less than the pure equal-share amount, they will receive the lesser amount requested and the surplus is redistributed on an equal-share basis	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 20% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	The EU opposes options that would introduce a pooling of the TRQ allocation by category of operators. That would artificially increase the share accorded to some operators and thus create unwarranted new constraints on market access for EU products by allocating a high share of the TRQ to operators which are not the most likely to use it
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 20% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	N/A	No comment
Cheese of All Types	WTO	100% is allocated to historical allocation holders	60% is allocated to processors on a market-share basis 35% is allocated to distributors on a market-share basis 5% is allocated to retailers on a market-share basis	60% is allocated to processors on a market-share basis 40% is allocated to distributors on a market-share basis	The EU opposes options that would introduce a pooling of the TRQ allocation by category of operators. That would artificially increase the share accorded to cheese manufacturers and thus create unwarranted new constraints on market access for EU cheeses by allocating a high share of the TRQ to operators which are not the most likely to use it. The EU recommends considering allocation methods implemented or proposed for other TRQs, such as pro-rata demand or equal share

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
	CPTPP8 & CUSMA	85% is allocated to processors on a market-share basis 15% is allocated to distributors on an equal-share basis	75% is allocated to processors on a market-share basis 25% is allocated to distributors on an equal-share basis	N/A	No comment
	CETA	50% is allocated to processors on a market-share basis 50% is allocated to distributors and retailers on a market-share basis	50% is allocated to processors on a market-share basis 50% is allocated to distributors on a market-share basis	N/A	The EU maintains its request to move away from status quo (option 1) and eliminate the pooling of the TRQ by types of operators. The EU recommends considering allocation methods implemented or proposed for other TRQs, such as first come first served, or pro-rata demand. The EU regrets that the options proposed fail to explicitly reserve a share of the quota to new entrants as set out in CETA.
Industrial Cheese	CETA	100% is allocated to further processors on a market-share basis	50% is allocated to processors on a market-share basis 50% is allocated to further processors on a market-share basis	100% is allocated on-demand to any registered client of the Department's Export and Import Control System	The EU opposes option 2, which would artificially allocate half of the TRQ to operators unlikely to use it. The EU recommends considering allocation methods implemented or proposed for other TRQs, such as first come first served or pro-rata demand. The EU regrets that the options proposed fail to explicitly reserve a share of the quota to new entrants as set out in CETA.
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 20% is allocated to further processors on a market-share basis	50% is allocated to processors on a market-share basis 50% is allocated to further processors on a market-share basis	100% is allocated on-demand to any registered client of the Department's Export and Import Control System	No comment

⁸ For CPTPP, these options cover the overlapping TRQs for Cheese of All Types and Mozzarella and Prepared Cheese

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
Ice Cream and Ice Cream Mixes	WTO	TRQ is allocated first to historical allocation holders, and second to distributors on an equal-share basis	100% is allocated to distributors on an equal-share basis	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	60% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 30% is allocated to distributors on an equal-share basis	N/A	No comment
Milk Protein Substances	WTO	100% is allocated on-demand to any registered client of the Department's Export and Import Control System	N/A	N/A	The EU notes that market share based allocation is not part of the options Canada considers for this TRQ. The EU invites Canada to consider the pro-rata and equal share allocation methodologies also for other TRQs
Other Dairy	WTO	100% is allocated on a first-come, first-served basis to all registered users of the Department's Export and Import Control System	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	The EU invites Canada to consider the first come, first served allocation method and also for other TRQs
	CPTPP & CUSMA	80% is allocated to processors on a market-share basis 10% is allocated to further processors on a market-share basis 10% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	N/A	No comment

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
Turkey	WTO & CPTPP	85% is allocated to processors on a market-share basis 15% is allocated to distributors on an equal-share basis	70% is allocated to processors on a market-share basis 15% is allocated to further processors on a market-share basis 15% is allocated to distributors on an equal-share basis	A portion of the TRQ is allocated to historical allocation holders in their fixed amounts The remainder is allocated to Non-ICL processors on basis of pro-rata demand	The EU invites Canada to consider pro-rata allocation, also for other TRQs, such as the WTO cheese TRQ
Broiler Hatching Eggs and Chicks	WTO & CPTPP	100% is allocated to hatcheries on a market-share basis	100% is allocated to hatcheries on an equal-share basis	N/A	The EU invites Canada to consider equal-share allocation also for other TRQs
Eggs	WTO	TRQ is subdivided by product category, and TRQ is allocated first to historical allocation holders Afterwards, remaining TRQ is allocated per category: Shell eggs are allocated to federally-registered egg stations on a market-share basis; Egg products are allocated to processors, wholesalers or distributors that are active in the Canadian egg products industry, on a market-share basis; Egg powder is allocated to federally-registered processed egg stations; and further processors that use egg powder in manufacturing and production formulas, on an equal-share basis Eggs for breaking purposes are allocated to registered processed egg stations on a market-share basis	TRQ is subdivided by product category Shell eggs are allocated to federally-registered egg stations on a market-share basis Egg products are allocated to processors, wholesalers or distributors that are active in the Canadian egg products industry, on a market-share basis Egg powder is allocated to federally-registered processed egg stations; and further processors that use egg powder in manufacturing and production formulas, on an equal-share basis Eggs for breaking purposes are allocated to registered processed egg stations on a market-share basis	N/A	No comment

Product	Agreement	Option 1	Option 2	Option 3	EU Comments
Eggs	CPTPP & CUSMA	TRQ is allocated in priority for the importation of eggs for breaking purposes to egg breakers Any remaining quantities are allocated to egg graders on a market-share basis	TRQ is allocated in priority for the importation of eggs for breaking purposes to egg breakers Any remaining quantities are allocated to egg graders on an equal-share basis	N/A	No comment

Product	Agreement	Option 1	Option 2	Option 3	Option 4	Opt. 5 (CPTPP only)	Opt. 6 (WTO only)	EU Comments
Chicken	WTO & CPTPP & CUSMA	60% is allocated to processors and further processors on a market-share basis 35% is allocated to distributors on an equal-share basis 5% is allocated to food service operators on an equal-share basis	60% is allocated to processors and further processors on a market-share basis 25% is allocated to distributors on an equal-share basis 15% is allocated to Non-ICL processors on basis of pro-rata demand	40% is allocated to processors and further processors on a market-share basis 13% is allocated to distributors on an equal-share basis 43% is allocated to Non-ICL processors on basis of pro-rata demand 4% is allocated to food service operators on an equal-share basis	75% is allocated to processors and further processors on a market-share basis 25% is allocated to distributors on an equal-share basis	85% is allocated to processors and further processors on a market-share basis 10% is allocated to distributors on an equal-share basis 5% is allocated to food service on an equal-share basis	A portion of the TRQ is allocated to historical allocation holders ⁹ Of what remains: 60% is allocated to processors on a market-share basis 20% is allocated to distributors on an equal-share basis 15% is allocated to Non-ICL processors on basis of pro-rata demand 5% is allocated to food service on an equal-share basis	No comment

⁹ Volume to be transitioned to the corresponding industry category over five years at a reduction of 25% per year; not able to transfer any portion of their allocation

out of scope