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## UHT Milk

Since December 31, 1991, when Puerto Rico joined the National Conference of Interstate Milk Shippers, exports of UHT (ultra high temperature) milk from Québec to Puerto Rico have been banned as a result of Puerto Rico applying the regulations governing the production of fluid milk of the U.S. Grade A Pasteurized Milk Ordinance (PMO). An FTA Chapter 18 Panel recommended on June 3, 1993, that a study be undertaken on equivalency of UHT milk standards between Québec and Puerto Rico, and completed within a reasonable time. It further recommended that should equivalency be established, exports of Québec UHT milk to Puerto Rico should be readmitted "forthwith". U.S. Food & Drug Administration (FDA) officials have completed their re-inspection of UHT milk producers and supplying farms in Quebec, and is in the process of finalizing the equivalency report. Canada continues to press for a prompt conclusion of the equivalency study to permit the re-entry of Québec UHT milk to Puerto Rico.

## Yoghurt

The administration of U.S. technical restrictions on the importation of yoghurt has presented difficulties for Canadian exporters. As a result of unclear and sometimes conflicting interpretations of the regulations of the U.S. Federal Import Milk Act and the Grade A Pasteurized Milk Ordinance, several Canadian companies have been unsuccessful in their attempts to obtain the required permission to distribute their yoghurt products in the United States.

## Section 22

Under Section 22 of the Agricultural Adjustment Act of 1933, as amended, the United States has maintained import quotas on a wide range of products, affecting Canadian exports of dairy products and certain sugar-containing products. In 1955, the United States had obtained a waiver of certain GATT obligations for actions taken under Section 22. Over the years, investigations and the threat of quantitative restrictions under Section 22 have created great uncertainty for Canadian exporters of agricultural products.

In January, 1994, the United States initiated an investigation under Section 22 of imports of wheat, wheat flour and semolina from Canada. In July 1994, the U.S. International Trade Commission (ITC) provided its findings and recommendations to the President. While there was not consensus among the ITC commissioners as to whether Canadian imports "materially interfered" with the U.S. wheat price support program, several commissioners recommended the imposition of quotas which could have cut back Canadian exports to less than half their existing levels. In order to avert the imposition of a highly restrictive U.S. trade action, Canada negotiated a one year Memorandum of Understanding (MOU) on trade in grains, which took effect on September 12, 1994. The terms of the MOU permit the Canadian Wheat Board (CWB) to export 1.5 million tonnes of wheat to the United States in 1994/95. Canada succeeded in obtaining U.S. agreement to exempt wheat flour, semolina and white winter wheat from the quota. The MOU also established a Joint Commission on Grains (JCG) which is examining Canadian and U.S. grain marketing and support systems and the effect of those systems on the Canadian and U.S. markets, and on competition between the two countries in third country markets. The Commission is to provide its findings and non-binding recommendations to the two governments by September 11, 1995.

As a result of the entry into force of the WTO, the United States' GATT waiver for Section 22 is terminated and the United States cannot apply any new quantitative import restrictions or fees on products from WTO members, nor extend under Section 22 the import restriction level on Canadian wheat negotiated in the bilateral MOU on grains.