
Products not on the Import Control List at the time of signing the Agreement were ice cream, ice milk, yogurt and foods that include less than 50 per cent dairy ingredients (e.g., frozen pizza with cheese on top). At present, imports of ice cream, ice milk and yogurt each represent less than one per cent of Canadian production and are assumed not to be competitive for a variety of reasons, including the tariff level (15 per cent). With the gradual phaseout of these tariffs for U.S. manufactured products, their competitiveness could improve. Canadian ice cream production is the most important market, being equivalent to 11 per cent of Canadian butterfat consumption in industrial milk products. Yogurt is next with one per cent, while other products are probably a small fraction of one per cent.

The Import Control List is operated under the Export and Import Permits Act by the Minister for International Trade and already covers most dairy products. The dairy products already on the Import Control List are: animal feeds containing more than 50 per cent non-fat milk solids; butter; butterfat in any form except when unsuitable for use as a butterfat ingredient; cheese; dry buttermilk; dry casein and caseinates; dry skimmed milk; dry whole milk; dry whey; evaporated and condensed milk; and bulk dry blends containing a minimum of 50 per cent of certain named dairy products.

Canada still has the option to add products to the Import Control List, subject to GATT rules, if imports threaten the supply management program. The Minister of Agriculture and the Minister for International Trade, following consultations with the industry, announced on January 19, 1988, that steps were being taken to add the following products to the Import Control List: ice cream, ice cream novelties, ice cream mix; ice

milk and ice milk mix; yogurt; and liquid forms of skim milk, buttermilk and blends of these products. Restricting these products is consistent with Canada's rights and obligations under Article XI of GATT and reflects U.S. trade restrictions on similar products.

Market Opportunities

U.S. tariffs on cheese imports will be phased out over 10 years, starting in 1989. They are currently 12 per cent for cheddar and 10 per cent for other cheese.

Canada has access under U.S. cheese import quotas for 833 tonnes of aged cheese, 70 tonnes of Swiss cheese and 1 141 tonnes of other cheese for which a named quota does not exist (Not Specifically Provided For Cheese). The U.S. tariff on these Canadian exports was in effect paid by Canadian dairy farmers because levy funds were used to pay export assistance and the amounts paid took account of the tariff.

The tariff phaseout will also assist export market development for Canada's soft surface-ripened cheeses which are exempt from U.S. import quotas. Canada's share of U.S. imports is very small relative to the European Community's, but the tariff phaseout will, together with other factors, create an export opportunity for Canadian processors making these cheeses, including Brie and Camembert.