



news release

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CANADIAN INTERNATIONAL TRADE TRIBUNAL STUDY ON ALLOCATION OF IMPORT QUOTAS FOR AGRICULTURAL PRODUCTS Tabled IN HOUSE OF COMMONS

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, and the Honourable Bill McKnight, Minister of Agriculture, announced today that the Canadian International Trade Tribunal (CITT) study on the allocation of import quotas for agricultural products has been tabled in the House of Commons.

The government asked the CITT in August 1991 to hold an inquiry into methods of allocating import quotas for agricultural products and to report its findings within 14 months. The terms of reference specified that the Tribunal study allocation methods from the perspectives of equity, predictability, economic efficiency, transparency, entry to the industry, market responsiveness and competitiveness.

Mr. McKnight stressed that the focus of the report was neither the operation of the supply management systems nor the size of the import quotas maintained by Canada under Article XI of the General Agreement on Tariffs and Trade (GATT). Rather, the study focuses on how quotas should be distributed among importers, and does not diminish the government's support of our existing supply management system.

"This inquiry was commissioned because of complaints over the years about the current system of allocating import quotas, and because the National Poultry and Dairy Policy Task Forces recommended that quota allocation methods in their sectors be reviewed," Mr. McKnight said. He added that the government's commitment to open and effective policy-making required that it take these complaints seriously.

The CITT concluded that the most equitable and efficient way of allocating import quotas on end products (shell eggs, cheese and other dairy products) was an auction system. For certain products, such as chicken and turkey, the CITT recommended that

quotas be allocated to processors on the basis of their presence in the market as measured by market share. The CITT considered that companies facing unrestrained imports of chicken- or turkey-containing processed products should be given priority access to the relevant quota. The CITT did not recommend changes to the current method of allocating broiler hatching eggs and chicks quotas.

Mr. Wilson said that the government would take the CITT report into account in its examination of how to make quota allocation methods fairer, more open and more efficient. "The Tribunal's recommendations are a very important contribution, and we will give them careful consideration," the Minister said. "They are based on extensive study and on widespread testimony from all sides in the debate."

The Minister noted, however, that the study presented only advice to the government, and that the final decision on whether, how, and over what time period to effect any changes would have to take into account a broad range of considerations. "All interested parties will be given ample time to make their views known," Mr. Wilson said.

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BACKGROUNDER

CANADIAN IMPORT QUOTAS FOR AGRICULTURAL PRODUCTS: HOW THE SYSTEM WORKS

- The Government of Canada has authority to control the import or export of designated products and technologies under the Export and Import Permits Act (EIPA).
- Under Section 5 of the EIPA, the Governor in Council has the authority to establish an Import Control List (ICL), an Export Control List and an Area Control List. Products may be added to the ICL for a number of reasons, including measures taken in support of agricultural supply management programs, such as exist for the dairy, poultry and egg industries.
- Canadian production of these commodities is managed through quota systems administered by national agencies, established for poultry and eggs under the Farm Products Marketing Agencies Act and for dairy by the Canadian Dairy Commission.
- There are quantitative import restrictions on a range of products, including dairy products, chickens, turkeys, eggs, cheese, ice cream, yoghurt, broiler hatching eggs and chicks. Each product has a global import quota, which establishes a limit to the amount of imports that may enter Canada. Global import quotas are determined in different ways; for example, for cheese it is fixed at 20.4 million kilograms, while for chicken it is 7.5 per cent of domestic production.
- Each year, domestic firms are allocated shares of the global import quota. Currently, various methods are used to allocate shares of the import quota, including shares to traditional importers according to their imports before quotas were established; to hatcheries or egg grading stations based on their share of the domestic market; to processors making chicken or turkey items not subject to import controls by setting aside a share of the quota for them; or to new importers by allocating equal shares to them of parts of the chicken or turkey global import quota.
- In August 1991, the government asked the Canadian International Trade Tribunal (CITT) to hold an inquiry into the best method of allocating quotas on agricultural products. This study was also recommended by the Poultry and Dairy Task Forces as a result of extensive public consultations under the National Agri-Food Policy Review. The CITT study has now been tabled in the House of Commons.