



COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT WITH THE EUROPEAN UNION Impacts and perspectives for the dairy industry

COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT WITH THE EUROPEAN UNION (CETA)

- On October 18, 2013, the Government of Canada concluded an agreement in principle with the European Union (EU) on a Comprehensive Economic and Trade Agreement (CETA). The deal includes a major concession regarding access to the Canadian cheese market.
- To become effective, the agreement must be ratified by the Canadian and European Parliaments. Two years have been planned to complete this process.

HIGHLIGHTS OF CONCESSION FOR ADDITIONAL ACCESS TO DAIRY MARKET

- Additional preferential access to the EU for approximately 800 tonnes of cheese under the existing quota of 20,400 tonnes already allocated by Canada to its trading partners (the EU already has 13,400 tonnes under the cheese TRQ).
- Access to 16,000 tonnes of "quality" cheeses (fine cheeses).
- Access to 1,700 tonnes of "industrial cheeses" (cheddar and mozzarella).

The exact definitions of these categories remain to be specified.

WHAT IS THE IMPACT OF THESE CONCESSIONS?

- Regardless of the Government's arguments, it is clear that the concession granted to the EU will result in 180 million fewer litres of milk being produced and processed locally. This will have an impact on employment and collective wealth.
- In the past 20 years, our milk producers and cheese makers have invested in excess of \$100 million to develop this market. Canada has just handed over the benefits of those efforts to the Europeans!
- The additional access given to the EU for 17,700 tonnes, including 16,000 tonnes of fine cheeses, could represent up to 30% of the retail market for these cheeses. Based on the annual growth rate of the fine cheese sector, which is only 1%, this sector is at risk of posting an overall decline of 25% if the implementation of the new tariff quota is spread over only 5 years.
- For all cheese sectors (fine and "industrial"), the additional imports will outstrip the predicted 0.5% growth rate. The Canadian cheese industry is in danger of experiencing a 1.7% decline at the end of the 5-year implementation period.

- Quebec will be especially affected by this concession since it produces over 50% of Canadian cheeses and more than 60% of fine cheeses.
- The loss of real and measurable revenue for producers and cheese makers as a result of these additional cheese imports has been estimated at over \$300 million annually.

ECONOMIC BENEFITS OF DAIRY INDUSTRY

- The Quebec dairy industry provides 83,000 jobs, generates \$1.3 billion in tax receipts and contributes \$5.5 billion to the GDP. The total Canadian dairy sector generates 218,330 jobs, contributes \$16.2 billion to the GDP and provides \$3 billion in tax benefits for the three levels of government. Milk production is the top agricultural production in Quebec, with close to 30% of total farm cash receipts, in front of hog farming that ranks second with 15%.
- With over 400 cheese varieties, Quebec is Canada's top cheese producer. In fact, it produces over 50% of Canadian cheeses and more than 60% of fine and artisanal cheeses. Furthermore, Quebec has seen outstanding growth in the number of small artisanal cheese makers which has now risen to 51, an increase of close to 50% since 2000. There are now a total of 90 cheese makers in Quebec.
- Quebec accounts for close to 37% of Canadian returns from milk production, making it Canada's leading milk producing province. The Canadian milk production sector generates \$16.2 billion in revenue.

SUPPLY MANAGEMENT

- Canadian supply-managed producers rely entirely on the marketplace for their revenue and receive no government income support subsidies. The Canadian market must be protected to prevent dumping by exporting countries that heavily subsidize their producers, enjoy weather conditions which we cannot compete with or that benefit from lenient rules and inexpensive labour.
- Europe boosts its exports through subsidies. The European Union's Common Agricultural Policy has an annual budget in the neighbourhood of \$80 billion. A recent expert report commissioned by the European Milk Board (EMB) estimates that the share of subsidies in the income of European milk producers rose from 44% in 2006 to 64% in 2009.

OUR DEMANDS

To the Canadian government:

- That it negotiate the longest possible implementation period in the final agreement and that it also review the division of cheeses covered by the concession granted to the EU so as to minimize damage in the retail fine cheese segment;
- That it put an end to the circumvention of tariff quotas and improper classifications by the Canada Border Services Agency;
- That it impose the same production and processing requirements for imported products as for Canadian products;
- That it invest the financial compensation it has promised in strategic measures for cheese makers and producers.

To the Quebec government:

- That, in accordance with the commitment it has made to dairy farmers, it not sign the trade deal if the federal government does not respond to our demands.