CETA/CPTPP/CUSMA

IMPACTS OF THE THREE AGREEMENTS ON THE DAIRY SECTOR

Les Producteurs de lait du Québec

The Canada-United States-Mexico Agreement (CUSMA)

Canada granted an additional 3.9% of access to its dairy market in the new agreement with the United States and Mexico (CUSMA) announced on October 1, 2018. This is the 3rd trade agreement concluded by Canada that has harmed Canadian milk producers.

At the same time, Canada also relinquished some of its sovereignty over its dairy policy to the U.S. by agreeing to:

1. eliminate a dairy ingredient class (Class 7) that allowed producers to offer processors a competitive alternative to imported ingredients;
2. place a ceiling on exports of solids non-fat from its dairy industrie and apply a surcharge on exports that exceed this threshold;
3. submit to a U.S. review of all changes to the classification and prices of milk sold by producers to Canadian processors.

This interference from the U.S. may not only violate Canadian and provincial laws and international trade rules, but also have other major economic impacts on milk producers.

Highlights of the concessions in the dairy sector:

- **100,000 tonnes of dairy products were conceded, which is equal to around 3.9% of its market and corresponds to a permanent loss of $190 million per year.**
- **Class 7 (ingredients) will be eliminated six months after the agreement comes into force.**
- **The agreement allows the U.S. price to be used for the sale of milk protein concentrates (MPC), skim milk powder (SMP) and baby formula.**
- **A surcharge will be applied to MPC and SMP exports in excess of 55,000 tonnes in the first year, and 35,000 tonnes in the second. Canada currently exports 75,000 tonnes of these products per year.**
- **It could limit the volume of SMP that Canada is able to export and increase the cost of exported dairy products, which would result in yet another impact ranging from $50 to $350 million per year in addition to those already caused by the newly granted access.**
- **The CUSMA comes into force three months after its ratification by the three countries.**

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

On January 23, the government announced the conclusion of the CPTPP. This agreement will come into force on December 30, 2018. Les Producteurs de lait du Québec denounced the fact that Canada ratified the CPTPP without even considering the withdrawal of the United States from the initial agreement or a downward revision of the market concessions demanded by the United States, since the United States alone accounted for over 60% of the GDP of the TPP with 12 parties.

Highlights of the concessions in the dairy sector:

- **The access agreements were kept from the original TPP.**
- **Canada conceded just under 100,000 tonnes of dairy product equivalents, based on imported products, which is 3.1% of the Canadian market and will cause permanent market losses in the amount of $160 million per year.**
- **This agreement comes into force on December 30, 2018.**

The Comprehensive and Economic Trade Agreement (CETA)

On October 18, 2013, the Canadian government signed an agreement in principle with the European Union (EU) in the negotiations for CETA. This agreement came into force in September 2017.

Highlights of the concessions in the dairy sector:

- **A major concession was granted to the European Union for cheese, i.e. 17,000 tonnes of cheese, including 16,000 tonnes of specialty cheese, which will cause permanent market losses in t he amount of $100 million per year.**
- **This agreement has come into force gradually since September 21, 2017. At the end of 2018, 5,333 tonnes of cheese will enter into Canada, which is 1.4% of its market. In 2019, this volume will rise to 8,000 tonnes.**

OUR DEMANDS

As promised by Minister Freeland during the press conference on October 1, 2018 announcing the conclusion of the CUSMA, Canadian milk producers should be provided full and fair compensation for all lost market shares.

And in keeping with the promise made by the federal government in its March 2019 budget, which states that: "Through 2019, the government will continue to work in partnership with supply management stakeholders to address the impacts on processing, as well as potential future impacts of the Canada-United States-Mexico Agreement.

On the Government of Canada:

- **Offer dairy producers full and complete** compensation to mitigate the impacts of CUSMA;
- **Conclude an administrative agreement** with the U.S. government to ensure that the export duties for certain dairy products in CUSMA (milk protein concentrates, skim milk powder and baby formulas), which are triggered when a threshold is reached, apply only to the signatories of the agreement, i.e. the United States and Mexico, and not to the rest of the world;
- **Set up an additional compensation program** to mitigate the negative impacts of the export restrictions imposed by CUSMA if the abovementioned administrative agreement is not concluded;
- **Continue paying direct compensation** to dairy producers from the 1.75 billion dollars announced by the government in August 2019 in order to mitigate the impacts of CETA and the CPTPP during the seven remaining years, and include the total credits for the compensation amount in the 2020 budget;
- **Maintain effective and profitable** marketing mechanisms for solids non-fat over the long term and compensate producers for the negative financial impacts resulting from these mechanisms if they are made less effective by the trade agreements;
- **Minimize the negative impacts** of additional imports
  - by targeting less harmful types of utilization in the allocation of tariff rate quotas, effectively distributed over time and space;
  - by instituting mandatory labelling rules that require the origin of all dairy product ingredients to be indicated so that consumers can make well-informed choices;
- **Prepare and adopt**, in consultation with producer and industry representatives, a long-term dairy sector development policy and exclude supply-managed sectors from any new trade negotiations in the future