



INTERNATIONAL CHEESE COUNCIL OF CANADA

**Submission to the House of Commons Standing Committee on International Trade
Regarding *C-216: An Act to Amend the Department of Foreign Affairs, Trade and
Development Act (Supply Management)***

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Introduction

This submission is presented on behalf of the **International Cheese Council of Canada** (“ICCC”) as part of the House of Commons Standing Committee on International Trade’s study of Bill C-216: *An Act to Amend the Department of Foreign Affairs, Trade and Development Act (Supply Management)*.

The ICCC is an association of small- and medium-sized cheese importers. Our Members are Canadian importers of cheese; our Associate Members include cheese producers in Britain, Europe, the United States and other countries that have entered into international trade treaties with Canada. Our Members have successfully grown the Canadian market through creative marketing and by providing more choice to consumers. We have demonstrated that we can introduce new cheeses from different countries by delivering them to Canadian consumers and by broadening consumers’ tastes for dairy products. In the process, ICCC Members have created value-added, long-term jobs in Canada. Many ICCC Members have developed the unique expertise and experience necessary to procuring international specialty cheeses, managing its import logistics, and selling it through national distribution networks.

Since 1976, ICCC Members have built a track record of responsible stewardship of Canada’s cheese tariff rate quotas (TRQs) by consistently meeting annual activity tests and maximizing fill rates. In the process, ICCC Members have co-existed with Canada’s supply-managed dairy sector. It should be noted that we accept the rationale underlying the supply management system and we are not advocating for its dismantling. However, it is also important to acknowledge that Global Affairs Canada (GAC)’s TRQ management and allocation practices have led Canada’s trade partners to complain that Canada has not lived up to its commitment in international treaties (such as CETA, CUSMA, CPTPP). Our own experience, as importers, is that the exporters we deal with that are based in Canada’s most valued trade partners have legitimate complaints which, if left unaddressed, will put the entire supply management system at risk. Indeed, there are official complaints either launched or emerging in various countries, which may lead to significant trade challenges and disputes. Our view is that some simple adjustments to TRQ administration and allocation would alleviate most of this pressure from abroad. Conversely, however, if Bill C-216 is passed, it will only accentuate trade partners’ grievances with Canada’s apparent unwillingness to address legitimate supply management issues.

This submission below highlights ICCC Members and Associate Members’ concerns regarding Bill C-216 and its potential impacts on Canadian cheese importers with regards to the upcoming Canada-UK FTA.

C-216: Potential Impacts on Canada-UK Trade

If C-216 passes, the many small to mid-sized businesses that import cheese from the UK will be at a distinct disadvantage.

As a result of Brexit, the UK has ceased to be entitled to the market access achieved by the European Union (EU) as part of CETA. In December 2020, the UK and Canada agreed to a 3-year transition period during which the UK will continue to have access to the WTO cheese TRQ EU pool, despite the UK having become a non-EU country. Unfortunately, the post-2023 future for Canada’s importers of UK cheese has never been more uncertain – and the prospect of Bill C-216 passing would make the resolution of this problem even more challenging.

The reason for this is that, as it stands, after 2023, UK cheese products will need to be brought into the Canadian market through the WTO TRQ non-EU pool – a pool which already has a utilisation rate of above 97%. In 2019, cheese imports from the UK stood at 1.7 million kilograms. Simply put, a quantity such as this will not “fit” into the amount available in the pool of quota currently assigned to WTO non-EU TRQ countries.

Moreover, if Bill C-216 becomes law, it will obstruct even the *possibility* of addressing the access requested by the UK. The UK would be forced to settle for a portion of the WTO TRQ non-EU pool (referenced above), with no modification in overall quota amount despite the addition of the UK, a significant cheese producing member. The result is that our Members – i.e., Canadian importers – will also be limited to exclusively using the WTO TRQ non-EU pool to import UK cheese products. Otherwise, they will find themselves faced with the following three unappealing options (all of which will result in financial harm to Canadian businesses):

- 1) cease importing UK cheese products to Canada;
- 2) substitute some of their imports from other non-EU countries with imports from the UK; or
- 3) import cheese from the UK to Canada with a 245.5% tariff.

As a result of this unfortunate situation, Canadian businesses will be unfairly penalized. Not only will they be prevented from generating market growth, but their ability to import cheese products from the UK at an affordable price will be severely constrained: they will lose business. Ultimately, Canadian customers also suffer, as they will either face reduced availability of British cheeses post-2023, or the UK cheeses on the grocery shelves will be priced significantly higher (due to tariffs). None of these scenarios deliver an improved outcome for Canadians.

Meanwhile, it should be noted that European exporters will be provided a ‘Brexit windfall’ after 2023 when they will presumably be able to access higher quantities since there will be one less European Union state drawing from quota accessible by EU states (i.e., the WTO TRQ EU pool and the CETA TRQs).

It is worth keeping in mind that senior members of the UK government have expressed strong interest in including cheese in the future Canada-UK FTA. The passage of C-216, which would prevent addressing such issues in the Canada-UK agreement, would certainly irritate our valued trading partner and most likely constrain Canada’s ability to reach a broad deal that leaves both parties satisfied.

Conclusion

Increasing access to Canada’s protected supply-managed goods is not the only option available to Canada’s trade negotiators *provided they have the ability to best advocate on behalf of Canada*. Options available include the reallocation of existing quota between pools (which Canada has done in the past) or the reduction of the over-access tariff for specific goods.

The ICCC strongly encourages Members to consider the impact of this Bill on our trade relationships. Our trade allies are increasingly dissatisfied with Canada’s administration of its dairy TRQs – so much so that the United States has launched a trade dispute, alleging that Canada is failing to respect its existing trade treaty commitments. This reinforces the significant pressure Canada has faced to relinquish its supply-management system. To avoid such an outcome, the ICCC urges the Government of Canada as well as Parliament to ensure that Canada comes into compliance with its existing trade obligations while avoiding antagonistic and protectionist measures such as C-216, which risks putting Canada in a tenuous position with our allies. For all of the reasons outlined above, the ICCC calls upon Committee Members to vote against C-216.

About the International Cheese Council of Canada (ICCC)

The ICCC is an association of cheese importers, which was founded in 1976 to manage the implementation of Tariff Rate Quota (TRQ) restrictions on cheese imports after it was added to the Import Control List (ICL) in 1975. For over 45 years, ICCC Members have established a track record of responsible stewardship of Canada's cheese TRQ. Our members are Canadian importers of cheese; our Associate Members include cheese importers from Britain, Europe, the United States and other countries that have entered into international trade treaties with Canada.

ICCC Members	ICCC Associate Members
Bosa & Co. Ltd. (Bosa Foods)	Ambrosi SpA
B.Terfloth & CIE (Canada) Ltd.	Cono Kaasmakers
Colombo Importing Ltd.	Coombe Castle International Ltd.
Dancheese Ltd.	Fonterra
Finica Foods Specialties Ltd.	Friesland Campina Consumer Dairy North America
Jan K. Overweel Limited/Limitee	IGOR s.r.l.
Krinos Foods Canada Ltd.	Snowdonia Cheese Company
Norseland Inc.	Swissexport – Cheese Exporters Corp. of Switzerland
Ronald A. Chisholm Limited	Zanetti SpA
Switzerland Cheese Marketing Inc.	
Top's Importing Ltd.	
Tree of Life Canada ULC	