

CONSULTATIVE COMMITTEE ON AGRICULTURE

May 27, 2009
Ottawa, Ontario

CCA BUSINESS

Canada and the United States began the meeting by reaffirming their commitment to working cooperatively to pursue common interests in agricultural trade.

Agriculture and Trade Priorities under the New Administration

The United States provided insight into the priorities and future direction of the Obama Administration. Canada updated the United States on the status of their ongoing free trade negotiations and highlighted the recent commitment to negotiating a closer economic partnership with the European Union.

NAFTA Coordination and Trilateral Cooperation

The United States noted the work of the NAFTA committees and observed that some are inactive. Canada and the United States agreed to review the working groups and identify those that deal with priority issues of common interest to Canada, the United States, and Mexico.

PRIORITY ISSUES FOR TECHNICAL DISCUSSION

Fresh Produce Issues

2007 Canada-U.S. Potato Arrangement

Positive progress was made on potato grade standards. Per the obligations of the arrangement, USDA will propose two rules on the minimum size requirements for creamer potatoes and round potatoes which will expand the U.S. market for all Canadian creamer-size potatoes. Depending on the number of comments received and considered, the new requirements could be in place for fall 2009.

The United States and Canada reasserted that one of the arrangement's goals was to reduce the number of spot checks of Canadian potato shipments needed to verify that Canadian shipments meet United States' Section 8e import requirement standards. To achieve this objective, the United States proposed that Canada draft a *Quality System Management Manual* detailing Canada's inspection program for export potatoes. CFIA is preparing a manual and will send it to the United States as soon as possible. CFIA noted that the quality manual is not a requirement of the potato arrangement but acknowledged that it will help to move things forward.

Perishable Agricultural Commodities Act (PACA)-like Trust Program in Canada

The United States highlighted the results of two surveys conducted by Canada's Fresh Produce Alliance (FPA), which indicated serious concerns in the United States over non-payment by bankrupt Canadian purchasers of imported produce. American shippers are increasingly concerned and urge Canada to adopt legal remedies. Canada explained the federal-provincial jurisdiction concerning Canadian contract law and again noted that a joint Federal-Provincial task force, established in 2006, was commissioned to look into these issues and to develop a viable risk mitigation strategy. The recommendations developed jointly by the FPA and the

Federal-Provincial task force will be presented at a meeting on June 10th. The United States will continue to monitor the situation.

Dairy Product Issues

Canadian Cheese Compositional Standards

The United States expressed ongoing concern about Canada's Cheese Compositional Standards. U.S. producers maintain that implementation of the new requirements is costly, time-consuming, and has negatively impacted product price and number of orders to U.S. suppliers. To date, Canada has not received any formal complaints regarding the treatment of U.S. imports. Canada noted that there are no plans to impose compositional standards on yoghurt or other dairy products. Canada asked the United States to provide any documented changes to price or declining imports as a result of the cheese compositional standards.

Ice-Cream Promotion Initiative

AAFC responded to U.S. concerns about an ice cream promotion initiative being offered to Canadian ice cream producers that are using 100% Canadian dairy ingredients. Canada assured the United States that this is an industry-led initiative being offered by the Dairy Farmers of Canada and that the Canadian government has no role in its design or delivery.

Canadian Special Agricultural Safeguards

The United States expressed its concern that the Canadian Special Agricultural Safeguards provide greater protection for Canadian supply-managed sectors. Canada indicated that once the safeguards triggers are final and published, any action on the part of the Government of Canada will be considered on a case-by-case basis and that Canada will abide by its WTO obligations.

Livestock and Meat Issues

BSE

With regard to the Minimal Risk 2 Rule, the United States indicated that it received substantial comments in response to the September 2008 Federal Register notice. The comments are currently under review. The United States offered no indication of when the review would be complete.

The United States informed Canada it anticipated that the BSE Comprehensive Rule would include BSE provisions for small ruminants. A draft rule is expected to be published in late 2009. The United States explained that Canada would still need to complete a separate rule on scrapie (a separate disease affecting small ruminants) and that current import restrictions on Canadian small ruminants would remain in place until the scrapie rulemaking is complete.

Mexican Regulations on Combo Bins

The United States provided Canada with an update on its engagement with Mexico on the proposed new combo bin inspection procedures that are expected to come into effect on July 1, 2009. Canada indicated that these types of issues could be addressed in the NAFTA SPS Technical Working Group on Meat, Poultry, and Egg Inspection if it was active. CFIA proposed hosting a meeting this fall of the Working Group to advance the relationship between the three countries' technical officials

PRIORITY ISSUES FOR TRADE POLICY DISCUSSION

Livestock and Meat Issues

H1N1

Canada and the United States provided updates on restrictions some countries are imposing on Canadian and U.S. pork and swine due to fears of the H1N1 flu virus. Canada and the United States agreed to urge our trading partners to adhere to international trade obligations and end these unscientific bans on imports of swine and pork. Both countries noted the positive efforts made by international organizations to raise public awareness that consumption of pork does not pose a threat to human health.

Third Country BSE Market Access for Cattle and Beef

Canada and the United States exchanged updates on negotiations to liberalize beef and cattle access to third countries and agreed to share new developments.

WTO Case with Korea – Beef Access

Canada reported that it had held consultations with Korea in early May and had not yet decided its course of action.

Feed Ban Update

The United States explained that there had been a proposal to delay the implementation of the FDA's feed ban in response to comments from affected parties expressing concerns about their ability to fully comply with the rule in time. However, after receiving several comments on the proposal, it was decided that the April 27, 2009 date of implementation would remain. The date of compliance would be delayed until October 27, 2009 to give affected facilities an opportunity to adapt their plants to comply with the new regulations. Canada advised the United States that its feed ban had been fully implemented and that the CFIA is ensuring regulatory compliance with the enhanced measures. The CFIA offered to cooperate with the United States, as it implements its own feed ban, and share best practices to ensure the transition runs smoothly.

Pet Food

Canada's *Health of Animals Regulations*, which would establish new import requirements for pet food from the United States, will come into effect June 30, 2009. FDA and CFIA officials are working together on the implementation of these requirements. CFIA provided a detailed summary of outreach to industry and FDA on the new import requirements.

Branding of Small Ruminants

Canada requested an update on the USDA-APHIS technical review of acceptable alternative branding practices, referencing the November 2008 letter from David Trus, AAFC-CFIA Animal Welfare Coordinating Committee, to Cindy Smith, Acting Administrator for USDA's Animal and Plant Health Inspection Service. The letter expressed concern with the branding requirement and sought guidance on alternative identification methods. Canada explained that branding of small ruminants is not practiced in Canada making it difficult for Canadian breeders to comply with current U.S. branding regulations. The United States agreed to communicate Canada's concerns to its technical experts.

Food Safety and Border Issues

Recent Developments in Food Safety Policy

Canada informed the United States that it is moving ahead with its Food Safety Action Plan, which focuses on preventing problems, targeting the highest risk categories and ensuring a rapid response to food safety issues. Canada also expressed concern about pending legislation concerning food safety. The United States noted Canada's concern and will continue to monitor the progress of these proposals. The United States provided an update on President Obama's Food Safety Working Group, which will review current food safety legislation and promote greater cooperation between federal agencies in the United States.

Border Issues

AAFC reported that it commissioned a study to analyze the effects of increased border security and import requirements on agricultural trade on the U.S.-Canada border. The study will examine how Canadian domestic producers, multi-nationals, and cross-border companies are meeting these requirements. The United States looks forward to receiving the study and will review its findings.

Canada and the United States noted the progress underway in the North American Perimeter Approach. Cooperation and harmonization on issues to protect North America from foreign pests have been largely successful, recalling efforts in the joint audit of the European fruit tree, Dutch Bulbs Pre-clearance Program, and Asian Gypsy Moth Program. It was acknowledged that this kind of cooperation allows both countries to make the best use of resources.

New Technology

Agricultural Biotechnology – WTO Case

Canada is close to concluding a mutually agreed solution with the European Union to end the WTO dispute *EU-Measures Affecting the Approval and Marketing of Biotech Products*. The United States and Canada will continue to communicate on the issue of biotechnology.

Codex Committee on Food Labelling – Biotech Labelling

The United States and Canada discussed the outcome of the recent Codex Committee on Food Labelling (CCFL) and agreed to continue to cooperate on this issue.

Animal Cloning

Canada provided an update on the status of cloning in Canada. The Health Canada opinion on cloning, which will be the underpinning of Canada's future cloning regulatory and policy framework, has completed the peer review process, but the results are not likely to be released until the fall. The United States and Canada agreed on the importance of avoiding potential trade disruption, as a result of the introduction of these new technologies in agriculture, and committed to continue cooperating in this regard.

