

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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UNDERTAKINGS PURSUANT TO PARAGRAPH 15 OF
THE MID-TERM REVIEW DECISION ON AGRICULTURE

Notification from Canada

In the short term elements that were agreed to at the April meeting of the Trade Negotiating Committee, paragraph 15 dealt with undertakings to reduce support and protection levels in 1990:

"Participants state their intention to reduce support and protection levels for 1990. This could be done either by using an AMS or by taking specific policy measures. They will notify the undertakings for fulfilling this commitment by October 1989."

This notification will deal with the policy orientation of Canadian agriculture as indicated both by the recently released Agriculture Policy Paper entitled "Growing Together: A Vision for Canada's Agri-Food Industry" and by various policy measures announced and implemented by the Federal Government in 1988 and 1989.

Since there has been no agreement within the Negotiating Group on Agriculture on the use of a specific AMS as a device for implementing or monitoring commitments made under this agreement, this method will not be used. However, the policy measures implemented are expected to contribute to a decline in Canada's AMS, however defined, in 1990.

The Federal Government has initiated a comprehensive review of agricultural policies and programmes. The general thrust of agricultural policy for the 1990s for Canada was outlined in the Budget documents of April 1989. Specifically:

"The federal approach to agriculture for the 1990s will be to foster a productive and economically viable industry that is able to become increasingly self reliant in a stable and predictable policy environment which does not impede innovation, risk-taking or diversification. The farm sector will be encouraged to respond to new market opportunities and changes will be made to policies and programmes that insulate farmers from market signals. As well, federal policies will focus on environmentally sustainable development consistent with the long-term conservation of Canada's soil and water base and the safety and health of Canadians."

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In August 1989, Federal and Provincial Ministers of Agriculture met and endorsed these principles for the review of Canadian agricultural policies.

Further guidance on the direction for agricultural policy change was provided on 7 November 1989 by the release of a discussion paper entitled "Growing Together: A Vision for Canada's Agri-Food Industry" by the Federal Ministers of Agriculture. The paper establishes and elaborates on the four pillars or principles identified in April to guide the review of agricultural policy:

- (1) Market responsiveness. The Canadian agri-food industry must be market responsive, aggressively pursuing markets at home and abroad, and concentrating on producing what the market wants and needs;
- (2) Self-reliance. The industry must be self-reliant, capable of generating reasonable returns from the marketplace. The Government will continue to play an important rôle in support of the sector, but policies and programmes should not undermine individual decision-making in the industry;
- (3) Regional sensitivity. A national agricultural policy must be regionally sensitive, reflecting regional strengths and comparative advantages while taking account of regional diversity and aspirations; and
- (4) Environmental sustainability. Canadian agriculture must be environmentally sustainable, preserving soil and water resources for future generations and ensuring a wholesome, safe, and nutritious food supply.

These principles were used in the policy review paper to explore in more detail seven major areas of agriculture policy, including

- (1) marketing, trade and value-added processing, (2) financing and managing the family farm, (3) safety net programmes, (4) supply management, (5) agriculture transportation, (6) food safety and quality, and (7) sustainable agriculture.

The discussion paper is a basis for dialogue among all groups interested in the future of agriculture policy in Canada, including both federal and provincial governments, farmers, agri-business interests, the food industry, consumers and other interested groups in order to construct a national policy framework. A National Agri-Food Policy Conference held in December 1989 launched a process of intensive consultations on how these principles could be applied to the seven major areas identified above.

The Agriculture Policy Review will be comprehensive and thorough. Although it is premature to speculate on specific policy or programme changes that might result from the policy review, the principles of greater

market orientation, self reliance, and of promoting an economically viable agri-food sector are consistent with the long-term objective agreed to in April by the Trade Negotiating Committee of "establish[ing] a fair and market-oriented agricultural trading system".

In the interim, ongoing policy and programme changes implemented over the last year by the Federal Government also contribute to the objective of the short term undertaking to reduce support and protection to agriculture. The balance of this short term undertaking briefly describes those of relevance to this notification.

The policy and programme measures that affect the agriculture sector include tariff reductions, elimination of a fuel input subsidy, and changes to commodity based loans. As part of the implementation of the Canada-United States Trade Agreement, tariffs on all goods imported from the United States, including agricultural products, are being phased out. Some tariffs were removed entirely on 1 January 1989, while others are being phased out in one of two time-frames: in five equal annual steps or in ten equal annual steps. A process has also been established to examine further acceleration of tariff reductions. Given the large share of Canada's imports which come from the United States, this is a significant increase in access to the Canadian market. The rebate to primary producers of excise taxes on gasoline and diesel fuel for off-highway production will end on 31 December 1989. No new commodity based loans, which previously provided subsidized credit to low equity Farm Credit Corporation clients, will be made.

The changes affecting the grains and cereals sector include changes to advance payments to producers, some transportation subsidies, import licensing and the termination of the one year programme to compensate producers for the elimination of the two price wheat policy. The Government no longer fixes the domestic price for wheat. The "At and East" Grain and Flour Transportation Subsidy Program was terminated, effective 15 July 1989. This programme provided subsidies to the movement of grain for export, received at ports on the Great Lakes and the upper St. Lawrence and transported by rail to ports east of and including Montreal, and to flour moving for export from points east of Thunder Bay, and transported by rail to ports east of and including Montreal. Advances paid to producers under the Prairie Grain Advance Payments Act and the Advance Payments for Crops Act will now be subject to interest obligations, although they remain as loans guaranteed by the Federal Government. Previously these advances were paid on an interest-free basis. Effective 1 August 1989, import licences are no longer required for oats imported into Canada.

In the dairy sector, changes were made to export programmes and to the levies on over-quota production. The Dairy Special Export Program, administered by the Canadian Dairy Commission, which provided a direct subsidy to some milk produced for the export market, was eliminated effective 1 August 1989. Also from that date, the Federal Government is no longer funding the marketing costs (storage, handling and transportation)

associated with surplus skim milk powder and the administrative costs of the Canadian Dairy Commission in respect of export activities. The penalties for over-quota production of industrial milk have been increased by 9.4 per cent for the 1989-90 dairy year. These levies enforce adherence to Canada's domestic supply control programme.

In the poultry sector, access for imports to the Canadian market has increased. In 1989 the quota for chicken is 40.3 million kg., a 21 per cent increase from the 1988 global quota. This represents growth due to both Canada's adherence to the GATT Article XI proportionality requirement as Canadian production has grown in response to higher domestic demand, and increased market access negotiated under the Canada-United States Trade Agreement. Global import quotas for turkey and eggs and egg products have also increased for the same reasons. Similar levels of global import access will be maintained in 1990, consistent with the linkage of import access as a proportion of domestic production.

Other changes of relevance to the agriculture and food sector include changes in the grapes and wine sector. The treatment of foreign wines in the provincial liquor board distribution system is being liberalized. The boards will provide national treatment for foreign wines in listing and distribution practices, and will phase out discriminatory mark-ups over seven years, and in some cases ten years, beginning in 1989. The Government has undertaken a six-year programme of adjustment to assist grape growers wishing to leave the industry. The total federal expenditure for this programme is to fall from Can\$30 million in 1989-90 to Can\$12.2 million in 1990-91, with further reductions to the end of the programme.