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Frequently Asked Questions on Off-Shore Beef Imports (Tariff Rate Quota)

Prepared by the Canadian Cattlemen's Association

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What is Tariff Rate Quota (TRQ)?

Canada is a member of the World Trade Organization (WTO). The WTO is the international organization that deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

As a member of the WTO, Canada has certain obligations. One of those obligations is to accept negotiated quantities of other WTO nations' export commodities. One of those commodities is beef. Under our WTO obligations, Canada is required to accept 76,409 tonnes of beef each year (January 1 to January 1) without tariffs (duties) from countries that are members of the WTO, excluding countries that are covered by the North American Free Trade Agreement (NAFTA). These imports come mainly from New Zealand, Australia, and some South American countries. The 76,409 tonnes of beef we are obligated to accept tariff-free is referred to as our *Tariff Rate Quota* (TRQ). The price of beef imported under TRQ cannot be lower than product of an equivalent type imported into the U.S., to prevent product from being trans-shipped from Canada to the U.S. to get around the U.S. TRQ.

What happens when the Tariff Rate Quota is filled?

Firms that intend to import beef from non-NAFTA countries apply to the Department of Foreign Affairs and International Trade for TRQ import certificates. Once the TRQ that has been allocated to that firm for the year is substantially filled (80%), these firms may apply for supplemental TRQ, so that they may import additional beef from non-NAFTA countries tariff-free, provided it is not priced below the U.S. price for equivalent products. Supplemental TRQ certificates are issued at the discretion of the Minister of Foreign Affairs and International Trade.

Supplemental TRQ is not allowed if a firm can purchase Canadian product of an equivalent type at an equivalent price. The reason supplemental TRQ is issued is because Canadian firms that use TRQ beef have successfully argued that to be competitive with U.S. firms, they need access to this beef, which is generally low priced and extremely lean.

What would happen if we ignored our WTO obligation and refused to import beef?

If Canada were to ignore its WTO obligation on imports of beef or any other commodity, we would lose our membership in the WTO. This would have a very serious impact on our ability to trade in any commodity on the world market.

Has issuance of Supplemental TRQ changed during the BSE crisis?

On July 18, 2003 the Federal Government announced all applications for supplemental TRQ received after July 9 would normally be refused. An advisory committee has been established to monitor and examine various aspects of the current Canadian policy on supplemental beef imports. The Canadian Cattlemen's Association represented beef cattle producers on the committee. Also represented on the committee were importers, packers, further processors, retailers, the restaurant industry, and grocery distributors. Subsequently, no further supplemental imports were granted from this date until April 22, 2004.

Due to the uncertainty in the domestic market, the ability of Canadian packers to export boneless meat from cattle under 30 months but not cow beef, and the resulting lower than anticipated slaughter levels of mature animals, Canadian further processors successfully argued that not enough cow beef was coming to market to meet their need for an extremely lean product. On April 22, 2004 the Minister of International Trade and the Minister of Agriculture announced that Supplemental TRQ would again be issued to those further processors that can show a need, and can prove the product cannot be accessed within Canada at competitive prices.

This decision goes against the recommendations of the Canadian Cattlemen's Association. CCA would prefer that Federal Government actions on this issue encourage the expansion of cow slaughter capacity within Canada rather than permitting broader access to off-shore beef. CCA has written to the Minister of International Trade and the Minister of Agriculture expressing this position, and will continue to work to achieve change in the Supplemental TRQ process.