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# News Release

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**December 1, 2008**

## **Government of Canada to Begin Formal WTO Consultations on U.S. Country-of-Origin Labelling**

The Government of Canada is seeking formal consultations with the United States under the World Trade Organization (WTO) dispute settlement process on country-of-origin labelling (COOL) measures. The Honourable Stockwell Day, Minister of International Trade, and the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food, today announced the request for consultations as an important step in defending Canadian livestock producers.

“While Canada is firmly committed to a cooperative trading relationship, we believe that the country-of-origin legislation is creating undue trade restrictions to the detriment of Canadian exporters,” said Minister Day. “Under these circumstances, Canada has no choice but to assert its WTO rights in the defence of our exporters.”

“This government continues to take a strong stand for Canadian producers on the issue of country-of-origin legislation,” said Minister Ritz. “We are committed to a respectful working relationship with our American neighbours, but have always made it clear that these new regulations must not discriminate against Canadian producers. This consultation is a formal opportunity for us to work with the U.S. to resolve this issue, as well as a strong signal that we will stand up for Canadian producers and exert our rights if necessary.”

The decision to request consultations follows discussions and representations to the United States on Canada’s concerns with COOL. WTO consultations provide the parties with an opportunity to resolve a dispute through formal discussions. If consultations fail to resolve the issue, the matter can be referred to a WTO dispute settlement panel.

Minister Ritz also announced that a government-industry working group is monitoring the implementation of COOL to collect information on its economic impact on Canadian livestock and meat industries. Canadian producers have already indicated that COOL is having a negative impact on livestock and meat exports.



Since implementation of the Canada-U.S. Free Trade Agreement and its successor, the North American Free Trade Agreement, trade between Canada and the U.S. has tripled. Moreover, the U.S. and Canada are each other's largest agricultural trading partners; in 2007, bilateral agricultural trade totalled \$32.3 billion. Reducing obstacles to trade has contributed to mutually beneficial supply chains, making both countries more competitive domestically and internationally.

- 30 -

A backgrounder follows.

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## Backgrounder

### What is U.S. country-of-origin labelling (COOL)?

- The 2002 U.S. Farm Bill created new mandatory labelling requirements for certain beef, lamb, pork, fish and shellfish, fruit and vegetables, and peanut products sold at U.S. retail outlets.
- Retailers are required to provide information to the consumer as to the country of origin of the commodity and, in the case of fish and shellfish, whether it is farmed or wild.
- The 2008 Farm Bill revised previous mandatory COOL provisions. In order for a commodity to be labelled as a product of the U.S., all production activities associated with the commodity have to occur on U.S. soil or in U.S. waters. For products produced in the integrated North American marketplace, the label must indicate every country in which a stage of production (i.e., birth, rearing or slaughtering) has taken place.
- As part of the June 2008 *Food, Conservation and Energy Act*, the United States passed legislation imposing mandatory country-of-origin labelling for beef, pork, lamb, chicken and goat meat, and certain perishable commodities sold at retail outlets in the United States. This legislation was implemented on the basis of an Interim Final Rule on September 30, 2008, with a six-month non-enforcement transition period. COOL provisions for fish and shellfish have been in place since 2005.

### What are the consequences of U.S. country-of-origin labelling?

- According to the U.S. Department of Agriculture, the implementation cost to the U.S. industry, based on the scope of products covered by the proposed rule, was estimated at up to US\$2.5 billion in the first year of implementation.
- There is little evidence that mandatory COOL will bring tangible benefits to consumers as a retail labelling program. In addition, it is unlikely consumers will willingly absorb the costs associated with its implementation.
- Certain proponents of COOL have attempted to link COOL to food safety and to animal and human health issues. The stated intent of this legislation is not to address food safety or animal health concerns, but to provide consumers with additional information on which to base their purchasing decisions.
- At an international level, the potential exists for mandatory COOL to lead to more extensive and restrictive process-oriented labelling programs by other countries. This could significantly restrict international trade flows of agricultural products as

other countries implement measures, ostensibly to benefit their domestic industries, that are more trade-restrictive than necessary.

### **Why is the Government of Canada concerned?**

- Canada is concerned that the legislative requirement to separate products into three categories based on the country or countries where they were produced will impose additional costs at each stage of the process (for example, feedlots, processing and packing, and retail). Processors, for instance, may need to segregate animals at their facilities, which will generate additional costs. These additional costs could create a disincentive to purchasing Canadian animals. Processors may choose not to buy Canadian animals or may buy them at a discounted price.

### **What actions have been taken by the Government of Canada?**

- The Government of Canada submitted comments on COOL to the U.S. Department of Agriculture rule-making process on a number of occasions, including in 2003, 2005, 2007 and 2008; these were developed in collaboration with provinces and industry. The most recent comments were submitted on September 5, 2008, and requested that flexibility be applied in implementing the Final Rule so as to minimize any disruptions for Canadian industry.
- In October 2008, the Government of Canada created a government-industry working group to monitor and assess the economic impact of COOL on the Canadian livestock and meat industries.
- On December 1, 2008, International Trade Minister Stockwell Day joined Agriculture and Agri-Food Minister Gerry Ritz in announcing that Canada would request consultations regarding COOL under the World Trade Organization dispute settlement process.