GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Working Party on Canadian Import Quotas on Eggs

QUESTIONS TO CANADIAN DELEGATION BY AUSTRALIA ON EGGS

A. Canadian supply management system

(i) Has a total count yet been made of regulated and unregulated flocks?

All regulated flocks were counted in the spring period of 1975. The unregulated flocks have not been counted but the number of hens in these have been calculated from the sales records of registered hatcheries. These hatcheries are registered by the Canadian Department of Agriculture and hatch all the commercial chicks produced in Canada. Unannounced random hen counts on regulated flocks is a continuing process.

(ii) If this has not been done, how is the number of birds estimated?

See (i) above.

(iii) What are the maximum permitted sizes for unlicensed flocks in each province?

British Columbia	500	Quebec	250
Alberta	200	New Brunswick	500
Saskatchewan	300	Nova Scotia	500
Manitoba	500	Prince Edward Island	300
Ontario	500	Newfoundland	500

(iv) What are the production quotas for unlicensed flocks in each province?

There are not "production quotas" as such in each province for unlicensed flocks. An allowance is made for such production based on delivery of chicks to such producers multiplied by annual average production per hen in these flocks of fourteen dozen.

(v) How are production quotas for unlicensed flocks determined?

See (iv) in the foregoing.

(vi) Are unlicensed flocks subject to penalty for over-production? If so, how is this calculated?

If an unlicensed producer has more hens than permitted he is required to obtain a licence and is subject to prosecution for failure to obtain a licence.

(vii) What is the proportion of regulated to unregulated flocks in each province?

The record below shows the number and proportion of unregulated birds in each province which total about 13 per cent of the national flock and represents about 10 per cent of the total egg production.

	Per cent	Number of unregulated birds
British Columbia	6.1	154,579
Alberta	36.5	713,431
Saskatchewan	59.0	677,564
Manitoba	13.7	340,427
Ontario	8.0	665,847
Quebec	4.9	170,660
New Brunswick	8.3	33,934
Nova Scotia	5.3	47,311
Prince Edward Island	23.2	30,186
Newfoundland	6.7	31,311

(viii) Has action been taken yet to license all egg marketers? If not, how can marketing of over-quota eggs be determined? For example, in case of ungraded eggs sold by producers direct to restaurants or bakery chains or other outlets?

Major producers, dealers, graders and vendors who ship interprovincially are licensed by CEMA for purposes of reporting and monitoring shipments. Provincial boards register all producers, dealers, graders and vendors for the purposes of reporting and monitoring intraprovincial production and marketings. Over-quota eggs are determined by monitoring the producers' sales records, hen counts, etc., and in four provinces by a stamp system. This system requires that each licensed producer buy a quantity of stamps equal to his quota. All sales of eggs must bear an appropriate stamp and sales without stamps are subject to legal action. Restaurants, bakeries, etc., are prohibited by provincial legislation from buying ungraded eggs directly from producers.

(ix) What is the bond required from each Provincial Board to ensure payment of penalties?

British Columbia	$120,550.00
Alberta	87,040.00
Saskatchewan	47,600.00
Manitoba	114,080.00
Ontario	381,610.00
Quebec	165,560.00
New Brunswick	18,280.00
Nova Scotia	41,060.00
Prince Edward Island	6,370.00
Newfoundland	17,850.00

(x) Have any penalties been paid to CEMA and/or Provincial authorities in respect of production and marketing in excess of Provincial quota allocations?

Provincial Commodity Boards must post irrevocable bonds to be drawn by CEMA should hen numbers be in excess of those determined as appropriate to the global allocation. CEMA has already cashed a $165,000.00 bond posted by the Quebec Board.

Individual provincial boards have their systems of control and penalties for non-compliant producers. In the Atlantic Provinces, only sufficient stamps are issued equal to the allocation based on hen numbers producing at the rate of nineteen dozen per annum. Products without stamps have been seized with owners losing all value of these eggs.

In all other provinces the provincial boards have had occasion to discipline some producers in one way or another. This has involved court proceedings and fines for non-compliance of levy payments or for over-quota production. These financial penalties have varied but have been as severe as $140,000.00. In other cases the producers have had their quota cancelled and, consequently, will not be re-issued a quota for a new flock.

(xi) What measures have been taken to prevent an increase in the number of unlicensed flocks?

The Supplemental Agreement through Clause 12 recognizes the need to increase the control over the number and size of "unregulated" flocks. In effect it says that steps are to be taken to see that production from that segment of the industry does not increase. Several proposed actions are set out. One requires a pullet purchase permit, another the registration of all flocks of over 100 birds and the third is the licensing of producers wishing to market through normal marketing channels.

(xii) What percentage of egg production is sold through licensed marketers?

Licensed marketers include those licensed under the Canada Agricultural Products Standards Act by Agriculture Canada, under provincial egg regulations by provinces, and under provincial egg production legislation. Eggs passing through these licensed marketers total 82-84 per cent of production. Of the remaining eggs 3.5 per cent are consumed on farm of production, 6 per cent to hatcheries to produce chicks, and 2 per cent are rejected at licensed egg grading stations. The remaining 4.5 to 6.5 per cent are sold by producers to housewives.

(xiii) What check is made to ensure that ungraded eggs moved across provincial borders are not sold ungraded to consumers other than processors?

There are only two types of movement of ungraded eggs across provincial boundaries. These are truck or carloads from an egg grading station to another egg grading station or to a processor. The other type is dozen lots from producers to housewives, particularly at border points in the Prairie Provinces.

The first type is very closely monitored by federal inspectors who monitor the operations of all registered egg grading stations and processors. The second type is insignificant in volume, and while illegal, does not warrant continuous monitoring.

B. <u>Basis for determining import quotas</u>

(i) What was production and importation of egg powder and frozen egg products during representative period?

See attached tables "Canadian Annual Production of Processed Egg" (Appendix A) and "Total Imports of Shell Eggs, Egg Powder and Frozen Eggs from All Countries" (Appendix B).

(ii) Are "market needs" claimed by Canada to be a special factor in terms of Article XI for setting import quotas. If so, we would appreciate amplification of that point?

No. Market needs are nevertheless a factor to be taken into account in setting quota levels. This factor has not affected annual quota levels so far but could do so in future years.

(iii) Why was it decided to increase these import quotas in 1975 by over 20 per cent over the average level in the base period?

On the reintroduction of import controls in July 1975 the quota on shell eggs was increased by 20 per cent over the original quota which was established the previous year on the basis of average imports during the five-year period 1969-1973. This decision was taken following representations from the United States, the predominant supplier of shell eggs to the Canadian market, and reflected a judgement based on our initial experience with the programme that this higher level of imports of shell eggs could be accommodated. It also reflected a desire, having regard to historically wide fluctuations in import levels, to put beyond any doubt that in setting the quota level for shell eggs Canada had fully observed its international obligations. The quotas for egg powder and frozen egg products were not adjusted, as they had proved to be more than adequate in relation to actual trade flows.

APPENDIX A

CANADIAN ANNUAL PRODUCTION OF PROCESSED EGG (LBS) - 1951 - 1974

Year	Frozen Whole Egg	Frozen Yolk	Frozen Albumen	Other (1)	Total Processed Egg (Frozen Equiv.)	Egg sold as Powder (2)	Processed Egg sold As frozen	Total Processed 30-dozen case equivalent (3)
1951	8,364,453	1,155,100	1,400,180		10,919,733	576,998	8,611,741	287,361
1952	10,860,966	2,168,586	2,704,600	-	15,734,152	672,276	13,045,048	414,057
1953	9,758,441	2,465,800	2,945,596	-	15,169,837	655,204	12,549,021	399,206
1954	10,078,521	2,467,237	2,317,252	-	14,863,010	940,653	11,100,398	391,132
1955	11,600,198	2,412,290	2,338,706	-	16,351,194	1,122,000	11,863,194	430,295
1956	10,643,462	2,905,468	2,460,588	-	16,009,518	1,061,000	11,765,518	421,303
1957	19,695,235	3,478,654	2,459,289	-	25,633,178	901,000	22,029,178	674,557
1958	10,352,175	3,730,265	2,884,482	-	16,966,922	693,000	14,194,922	446,498
1959	20,715,876	4,050,870	3,923,734	-	28,690,480	911,000	25,046,480	755,013
1960	13,813,914	4,194,992	3,791,241	-	21,800,147	1,042,000	17,632,147	573,688
1961	10,859,211	3,138,736	3,237,936	-	17,235,683	826,405	13,930,063	453,471
1962	13,036,510	4,093,414	4,171,031	-	21,300,955	744,533	18,322,823	560,551
1963	11,761,806	3,180,168	3,313,316	-	18,255,290	833,835	14,919,950	480,402
1964	15,018,636	3,959,915	4,233,720	-	23,212,271	726,565	20,306,011	610,849
1965	12,194,680	3,117,959	3,799,016	4,238,349	23,350,004	648,942	20,754,236	614,474
1966	8,248,833	1,989,604	3,012,042	5,014,990	18,265,469	901,093	14,661,097	480,670
1967	14,156,026	3,290,943	4,118,301	8,449,725	30,014,995	1,107,854	25,583,579	789,868
1968	11,479,420	2,367,336	2,744,006	7,794,825	24,385,587	1,187,620	19,635,107	641,726
1969	9,167,973	2,671,236	3,336,809	7,222,848	22,398,866	1,235,725	17,467,966	589,444
1970	15,347,633	4,428,793	4,262,188	9,283,344	33,322,013	1,292,412	28,152,365	876,895
1971	15,727,576	3,304,143	4,341,042	12,722,009	36,094,770	1,405,357	30,473,342	949,862
1972	12,811,643	2,783,923	3,991,848	11,753,143	31,340,557	1,435,216	25,599,693	824,752
1973	14,634,278	2,730,536	3,343,912	11,955,245	32,663,971	1,484,640	26,725,411	859,578
1974	16,504,665	3,530,385	3,826,480	17,269,959	41,131,489	1,506,281	35,106,365	1,082,408
1969-73 Av.	13,483,832	3,183,726	3,855,160	10,587,318	31,164,035	1,370,670	25,683,755	820,106

Source: Annual Poultry Market Review - Agriculture Canada.
(1) Represents egg mixes & Fresh Melange sales.
(2) Records not published but obtained unofficially from industry sources.
(3) Converted at 38 pounds per case.

APPENDIX B

Total Imports of Shell Eggs, Egg Powder and Frozen Eggs, from all Countries 1960 - 1974 (30 Dozen case equivalents)

Year	Shell Eggs (1)	Egg Powder (2) *	Regular Egg Melange (3) *	Total Case Equivalents (1+2+3)	Total Egg Production (000 cases) (less hatching (5)
1960	3,925	20,667	1,826	26,418	14,038
1961	51,376	25,171	1,807	78,354	13,809
1962	55,838	26,411	716	82,965	13,933
1963	190,173	20,767	966	211,906	13,360
1964	16,724	25,390	171	42,285	13,880
1965	80,766	38,319	10,140	129,224	13,7[illegible]3
1966	256,866	63,377	179,592	599,835	13,[illegible]88
1967	299,891	110,785	134,220	544,896	14,032
1968	146,375	90,011	57,678	294,064	14,382
1969	104,683	124,773	62,613	292,069	14,925
1970	19,882	98,374	114,035	232,291	15,657
1971	7,973	46,572	64,453	118,998	15,788
1972	58,820	90,681	11,051	160,552	14,746
1973	31,296	77,949	6,712	115,957	14,504
1974	195,759	52,822	10,486	259,067	14,472
1969-1973 Av.	44,531	87,670	51,773	183,974	15,124

(1) Source: Annual Poultry Market Review.
(2) & (3) Source: Trade of Canada, Statistics Canada (65-007 monthly).
* Egg Powder converted at 10 pounds per case; egg melange - 38 pounds per case.
(5) Source: Statistics Canada, Summary Publication 23-202 (1950-1974).

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