

**EGG FARMERS  
OF CANADA**

Dedicated to Quality



**LES PRODUCTEURS  
D'ŒUFS DU CANADA**

Dédiés à la qualité

# NAFTA / USMCA Update

*November 7, 2018*





## **NAFTA / USMCA**

# NAFTA

- ❑ **After more than a year – a new NAFTA deal (now known as the USMCA) was agreed to by the U.S., Mexico and Canada on September 30, 2018**
- ❑ **We are continuing to assess the impacts of this deal on the Canadian egg industry**
- ❑ **An update to the text was issued after the deal was announced**
  - ▲ May see additional changes
  - ▲ We think the newest version is mostly final version
  - ▲ Not final until legally scrubbed in all three languages and signed by all three parties

# USMCA

- ❑ **Timing difficult to predict**
- ❑ **Despite announcement on Sept 30 – technical discussions continued**
- ❑ **Earliest possible time for signature is November 2018**
- ❑ **U.S., MX & CAD need to undergo domestic processes for ratification**
- ❑ **Entry into force the 1<sup>st</sup> day of the 3rd month after the 3rd country ratifies**
- ❑ **Earliest the USMCA could come into effect is summer of 2019**
  - ▲ If entry into force occurs part way through a calendar year, year 1 prorated for the number of months remaining

# USMCA

- ❑ **The access granted to the U.S. is approximately 11.05 million dozen over 16 years**
- ❑ **The new USMCA access is in addition to the WTO access**

Trade agreement	Market access (once fully implemented)
WTO	21.37 million dozen eggs/year
USMCA	11.05 million dozen eggs/year (16-year implementation period)
WTO + USMCA (new NAFTA)	32.42 million dozen eggs/year (total implementation period)

- ❑ **All over-quota tariff lines are part of this new access, but there is no change to the over-quota tariff**

- **New USMCA access shall be used “*in priority for the importation of eggs for breaking purposes for further food processing*”**
  - ▲ Similar to the wording in the CPTPP
  - ▲ Still trying to get a better understanding of what is meant
  - ▲ Wording in both the USMCA and CPTPP texts that states that access can not be ***limited*** to an allocation to processors
- **There is a provision that states 30% of the shell egg TRQ must be allocated to new importers**
  - ▲ There is no clear definition on what is considered a new importer
  - ▲ This was an ask by the U.S.

- ❑ **We don't know how and to whom the TRQ will be allocated**
  - ▲ This will be part of a consultation process
- ❑ **We also don't know how exactly the WTO access will be allocated once NAFTA is no longer in force**
- ❑ **The NAFTA access was separated into categories with a cap on each one: shell eggs, egg products, egg powder**
- ❑ **However, we do know that Canada reserved the right to allocate access for egg and egg products between shell (except hatching) eggs, frozen, liquid and dried eggs in its WTO schedule of commitments**
  - ▲ How will this be determined? Part of USMCA consultation?

# USMCA

- ❑ **11.05 million dozen (USMCA additional access) is roughly half the amount granted under CPTPP**
  - ▲ Certain provisions in the text could affect the impact
- ❑ **The total WTO, CPTPP and USMCA access after full implementation is 7% of our current production or 51.4 million dozen eggs**

Trade agreement	Market access (once fully implemented)
WTO	21.37 million dozen eggs/year
USMCA	11.05 million dozen eggs/year (16-year implementation period)
CPTPP	19.00 million dozen eggs/year (18-year implementation period)
WTO + USMCA + CPTPP	51.42 million dozen eggs/year (total implementation period)

# Access as a % of production



Trade agreement	Access as a % 2017 Production
WTO & NAFTA (status quo 2018)	3%
USMCA + WTO	4.5%
CPTPP	2.6%
WTO + USMCA + CPTPP	7%

# USMCA

- ❑ **Mitigation discussions on CPTPP ongoing**
- ❑ **Mitigation discussions on USMCA expected to start soon**
  - ▲ Working groups have been convened
- ❑ **Canada continues to pursue FTAs as part of its trade strategy**
  - ▲ PMO said post USMCA: Canada will continue to “*engage in increasing our trade footprint around the world*”
- ❑ **Canada currently negotiating with MERCUSUR and the Pacific Alliance**
- ❑ **Looking at FTAs with ASEAN, China and others**



**Questions?**

