

March 5, 2021

Supply-Managed Trade Controls Division
Global Affairs Canada
111 Sussex Drive,
Ottawa ON K1A 0G2

RE: RCC Comments on the Resumption of Phase II Consultations - Comprehensive Review of the Allocation and Administration of Tariff Rate Quotas (TRQs) for Dairy, Poultry and Egg Products

To Whom It May Concern:

Retail Council of Canada (RCC) was pleased to provide comments on behalf of retailers as part of Phase I of the Government of Canada's "Allocation and Administration of Tariff Rate Quotas for Dairy, Poultry and Egg Products." We welcome this Phase II consultation and are supportive of the Government's decision to conduct a comprehensive review of its Tariff Rate Quotas (TRQs) for its existing and new trade agreements.

In reviewing the policy options outlined in Phase II, the three different options presented would have vastly different outcomes for Canada's food retailers and Canada's food supply chain. Of note – and great concern – is Options 2 and 3, where retailers are either partially or completely excluded. RCC strongly believes the allocation of quota to retailers promotes competitive pricing, provides greater access to a larger selection of products for customers, and ensures quota is fully utilized to its potential.

Additionally, as we look forward to Canada's economic recovery following the end of the COVID-19 pandemic, the government must do what it can to make life more affordable for Canadians. This includes promoting competition in Canada's food supply chain by giving retailers a fair share of quota allocation. Keeping the status quo, or making it even more difficult for retailers to obtain quota will only drive food prices higher, which is already expected to cost families almost an additional \$700 in 2021¹.

Therefore, at a minimum, Option 1 is the best choice moving forward to maintain the percentage of quota provided to retailers, ensuring consumers continue to receive a wide selection of products at competitive prices. However, the government should consider increasing quota amounts for retailers even further to make it a more equitable system.

Below, we have highlighted the main concerns of retailers, with an emphasis on the impact to the most important stakeholder, the Canadian customer.

¹ <https://www.dal.ca/sites/agri-food/research/canada-s-food-price-report-2021.html>

Support Competition in the Marketplace

Retailers compete with each other to get food to every Canadian as efficiently and safely as they can, at the lowest cost possible. Safeguarding the fair distribution of quota for retailers will promote competition in price and product variety in the marketplace. It will also ensure customers have access to the products they want, year-round at a fair price.

By reducing quota provided to retailers or not providing any at all – as seen under the policy options presented for CPTPP and CUSMA – processors and distributors would essentially be granted a monopoly over the market, thereby limiting competition. Providing retailers a reasonable share of the quota would protect competition in the marketplace and would reduce the likelihood of price inflation.

History has demonstrated that processors and distributors having complete control of the market has resulted in a reduction of product choice for consumers, increased prices, and has only benefited a select few.

Encourage Equitable Quota Utilization

Quota and the associated review process to determine utilization must be reformed to ensure the allocated quota is provided to those who are most likely to use it. Historically, retailers have an exceptionally high rate of usage which must be considered going forward.

Measuring utilization of quota is a valuable tool giving insight into how much quota is being transferred in and out, as well as rates of underutilization. It is our position that the used quota allocation within the year, should guarantee the same amount for the following year and that the threshold for usage should be 95%.

Respecting Retail's Role and Investment

Option 1, as presented by Global Affairs Canada, would give retailers who have made significant investments to obtain quota, continued access to their fair share. Whereas, Options 2 and 3 would either significantly limit or fully exclude quota for retailers altogether.

Options 2 and 3 completely ignore the value of previous investments made by retailers and disproportionately benefit processors. Again, this will increase the cost to consumers due to price mark-ups and lack of competition.

Furthermore, maintaining the World Trade Organization (WTO) allocation model under Option 1 would ensure continued predictability for the industry to build upon. Once the fixed WTO quota is exhausted, retailers will continue to rely on Canadian supply-managed goods to fill the growing demand for these products.

Recognize Retail's Full Role in Canada's Food Supply Chain

The definition of a "retailer", "processor" and "distributor" must be updated to properly incorporate the role retailers play in Canada's food supply chain. There are many instances where retailers are also distributors, and should properly be recognized as such.

Additionally, the government must reassess the current allocation of quota for retailers, as it is significantly less in comparison to processors despite having the highest rates of utilization, which will provide the best outcome for Canadian consumers. By shifting a percentage of quota allocation from processors to retailers and including retailers as distributors, it would bring fairness back to the market and ensure the best value for the consumer.

Conclusion

The Canadian Government must ensure a fair outcome for all Canadians as it reviews the allocation and administration of TRQs for Dairy, Poultry and Egg Products, which includes fair market practices, a reliable food supply chain, and a wide selection of products at competitive prices. Studies show that supply management in Canada is challenging for those with less.² This, coupled with the economic impacts of the pandemic which have been devastating for Canada's most vulnerable, must be taken into account when deciding on changes to quota allocation. The government needs to recognize retailers play a significant role in Canada's food supply chain, and increasing their quota amounts will help with Canada's economic recovery and its overall health.

Retailers have invested heavily in their supply chain and structure to be able to manage cheese imports and develop programs based on this allocation over the last decade, which has only benefitted Canadian consumers. Including retailers in quota allocation has been demonstrated to improve competition, maximize quota utilization, and yields a variety of both imported and domestic products that consumers expect.

Processors and distributors should continue to receive an allocation of quota. However, their allocated percentage must be weighed against providing the best value for Canadians. Dairy, poultry, and egg products imported directly by retailers are in some cases half the cost of those purchased from importers. Nevertheless, retailers require more than enough product that even with a fair quota allocation, they will always require additional product from domestic processors and distributors.

Thank you for your consideration, and please do not hesitate to reach out should you require any further information.

Sincerely,



Cory Anderson
Senior Manager, Government Relations & Regulatory Affairs

² <https://www.iedm.org/63228-viewpoint-supply-management-makes-the-poor-even-poorer/>

About Retail Council of Canada

Retail is Canada's largest private-sector employer with over 2.1 million Canadians working in our industry. The sector annually generates over \$76 billion in wages and employee benefits. Core retail sales (excluding vehicles and gasoline) were \$377 billion in 2018. Retail Council of Canada (RCC) members represent more than two-thirds of core retail sales in the country. RCC is a not-for-profit industry-funded association that represents small, medium, and large retail businesses in every community across the country. As the Voice of Retail™ in Canada, we proudly represent more than 45,000 storefronts in all retail formats, including department, grocery, specialty, discount, independent retailers, and online merchants.

RCC grocery members provide essential services and are an important source of employment in large and small communities across the country. They have strong private label programs and sell products in every food category.