



# **The Canadian Dairy Sector Economy & Supply Management**

**Richard Doyle**  
**Executive Director**  
**Dairy Farmers of Canada**

# In this presentation:

- Dairy Farmers of Canada
- Canadian dairy sector & economy
- Supply management in dairy
  - Benefits and challenges





**Who is Dairy Farmers of  
Canada?**

***the national voice of dairy  
farmers***

# Organizational Structure

- Non-profit federation
- 10 members represent provincial marketing boards or farmer associations
  - All farmers have quota and are members of provincial association
- Canadian Dairy Network (genetics)
- Board of directors = elected dairy farmers
- Financed by dairy farmers (75 M budget)



# Departments' Activities

- Marketing
- Nutrition
- Policy and Strategic Planning
- Government Relations and Communications
- International Trade
- Operations





# **Canada**

## ***People and cow population***

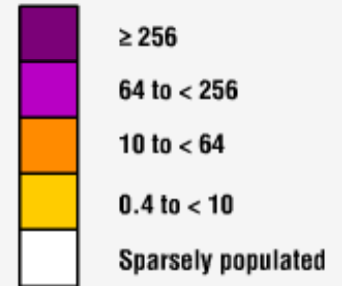
# Canada

50 years of population change

2006

9.2 million km<sup>2</sup>

Population density  
(persons per km<sup>2</sup>)



34 million Canadians

United States:  
312.1 million Americans

Source: Statistics Canada



# Population of Dairy Cows



< 1 million in Canada

9 million in USA





# **Economics Of Canadian Dairy Sector**

Source: EcoRessources Consultants, 2011  
(study and highlights available on  
[dairyfarmers.ca](http://dairyfarmers.ca))

# Economic impacts of the Canadian dairy industry - 2009

**13,214 Farms**  
**83.8 M hl (8.4 M tonnes) delivered**  
**\$6.1 billion in sales**

**452 Processing plants**  
**\$13.7 billion in sales**

**Sustains 215,103 jobs**  
**Adds \$15.2 Billion to GDP**  
**\$3 Billion in tax revenues:**  
**\$1.8 billion - Federal**  
**\$0.9 billion - Provincial**  
**\$0.3 billion - Municipal**

# Historical Perspective

## Average Annual Rate of Dairy Farm Consolidation

	60s	70s	80s	90s	00s	2010 VS 2009	10s*
Rate of consolidation	-11.4%	-8.5%	-4.7%	-5.0%	-4.3%	-1.9%	-2.1%

\* Staff projection

Average farm size (#cows)	14	26	38	51	67	75	98*



# Average Canadian Dairy Farm

- 76 cows milking
- One cow produces 9768 litres / year
- Employs three people (FTE)

## Overall:

- 93% Holstein cows
- 23 % free-stall barns
- 77% tie-stall barns
- 1% organic





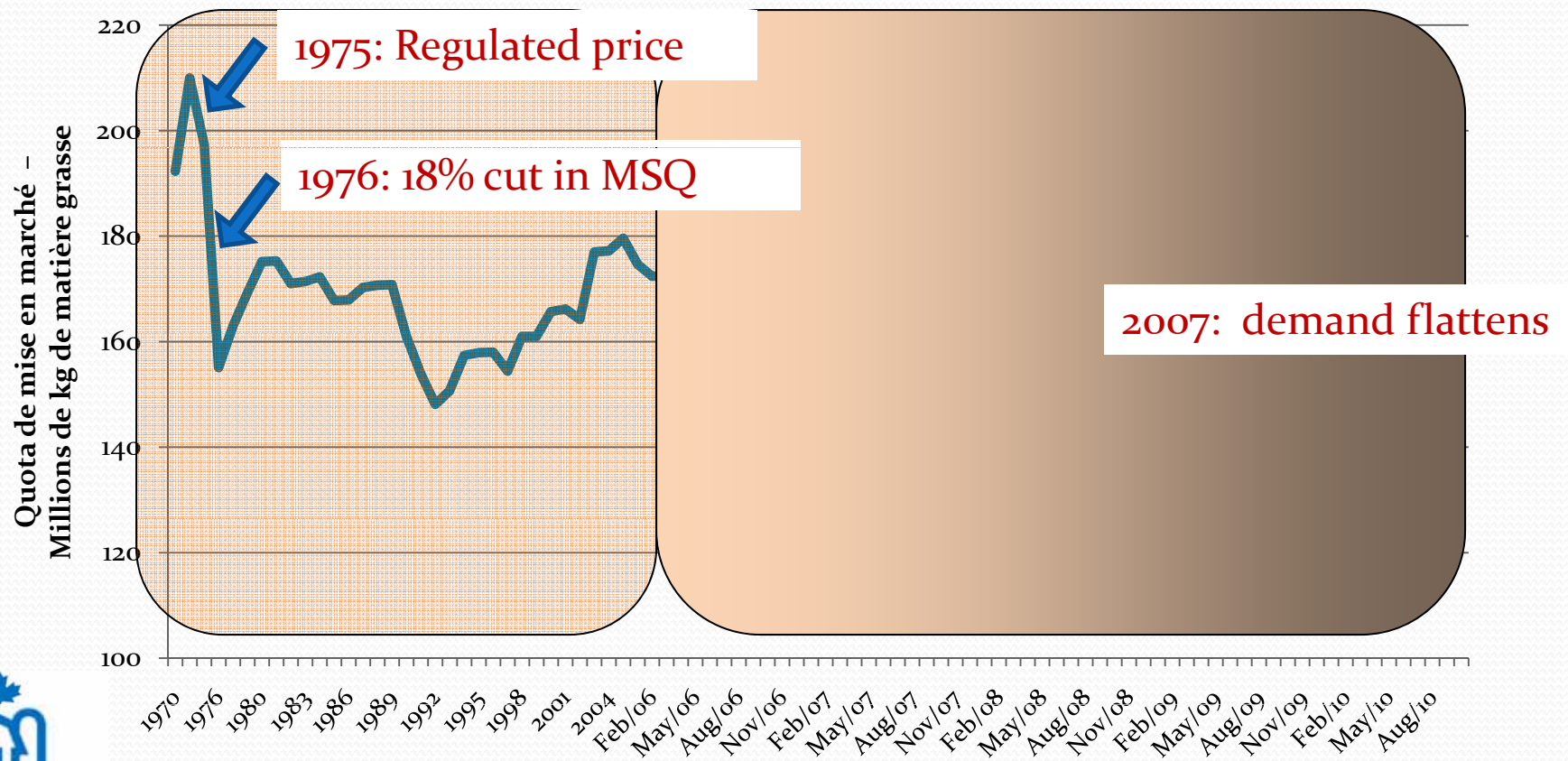
# **Supply Management in Canada**

# Why did supply management start?

- Post WWII: specializing in milk production – farmers selling milk to a few local buyers.
- Formed local cooperatives
- 1960s: lost export market to UK
- Focus on domestic market
- Fluid (drinking) milk regulated provincially
- 1966: Canadian Dairy Commission Act (start of national regulations)



# Market Sharing Quota (MSQ) (millions of kg of BF)



# Supply Management

DEMAND

minus

IMPORTS



**TOTAL QUANTITY TO BE PRODUCED**

Province

Province

Prov



FARMERS

FARMERS

FARMERS

-----*Individual quota*-----



# Three Pillars

*Based on 3 Essential Pillars:*

1. **Production Discipline**
2. **Predictable Imports**
3. **Fair Price to Farmers**



**All equally important**



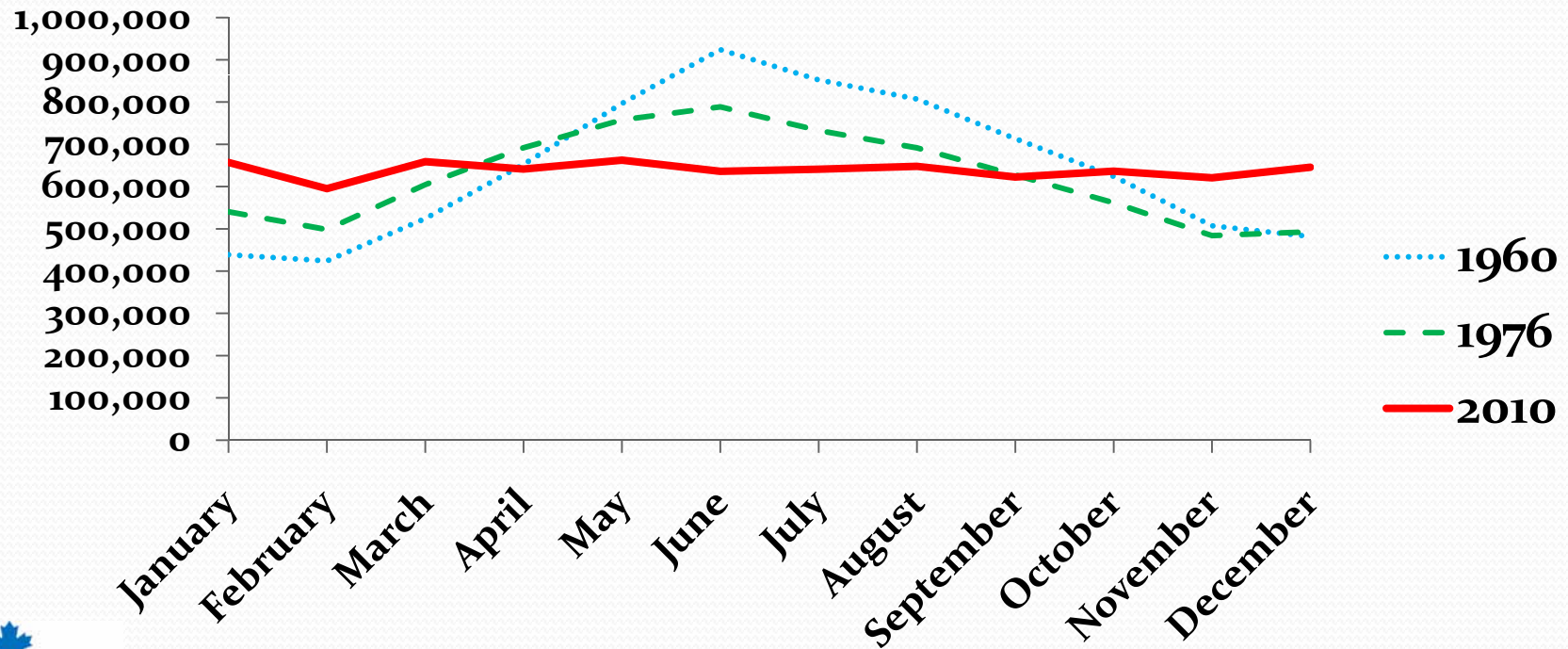
# 1. Production Discipline & Stability

- One quality of milk
- Daily quota – adjusted as necessary
- Regional pooling
- National markets -national pooling?



# 1. Production Discipline

## Canadian milk production (‘000 litres)



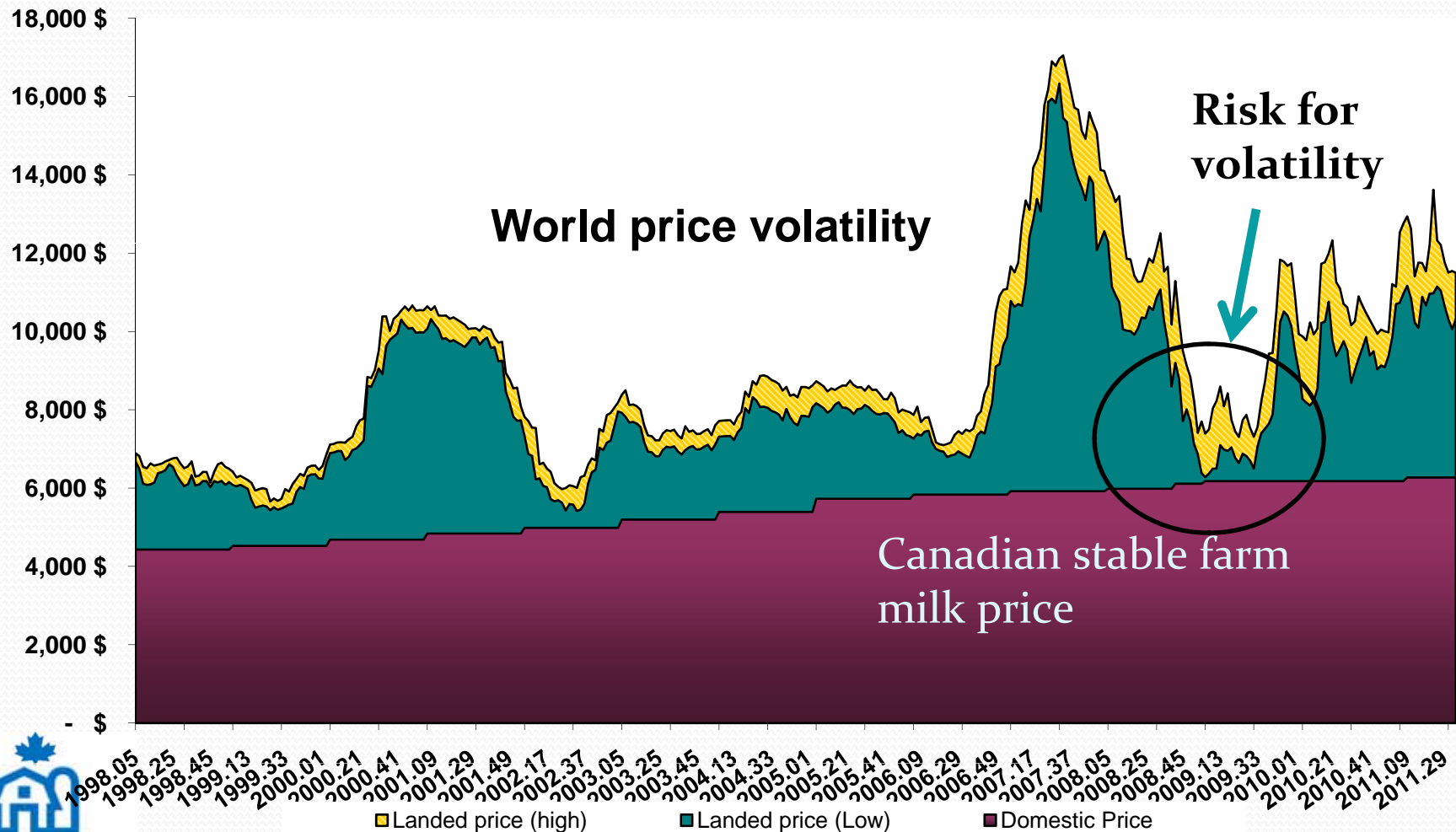
Seasonability of dairy production practically eliminated = Stable, predictable supply year-round  
Contribute to processing plants efficiency

## 2. Predictable Imports

- Import controls lists existed in 1940s
- WTO: Tariff-rate quotas
- About 5% of products on market is imported tariff-free
- Over-quota tariffs to discourage imports over that 5% share



## 2. Role of over-quota tariffs

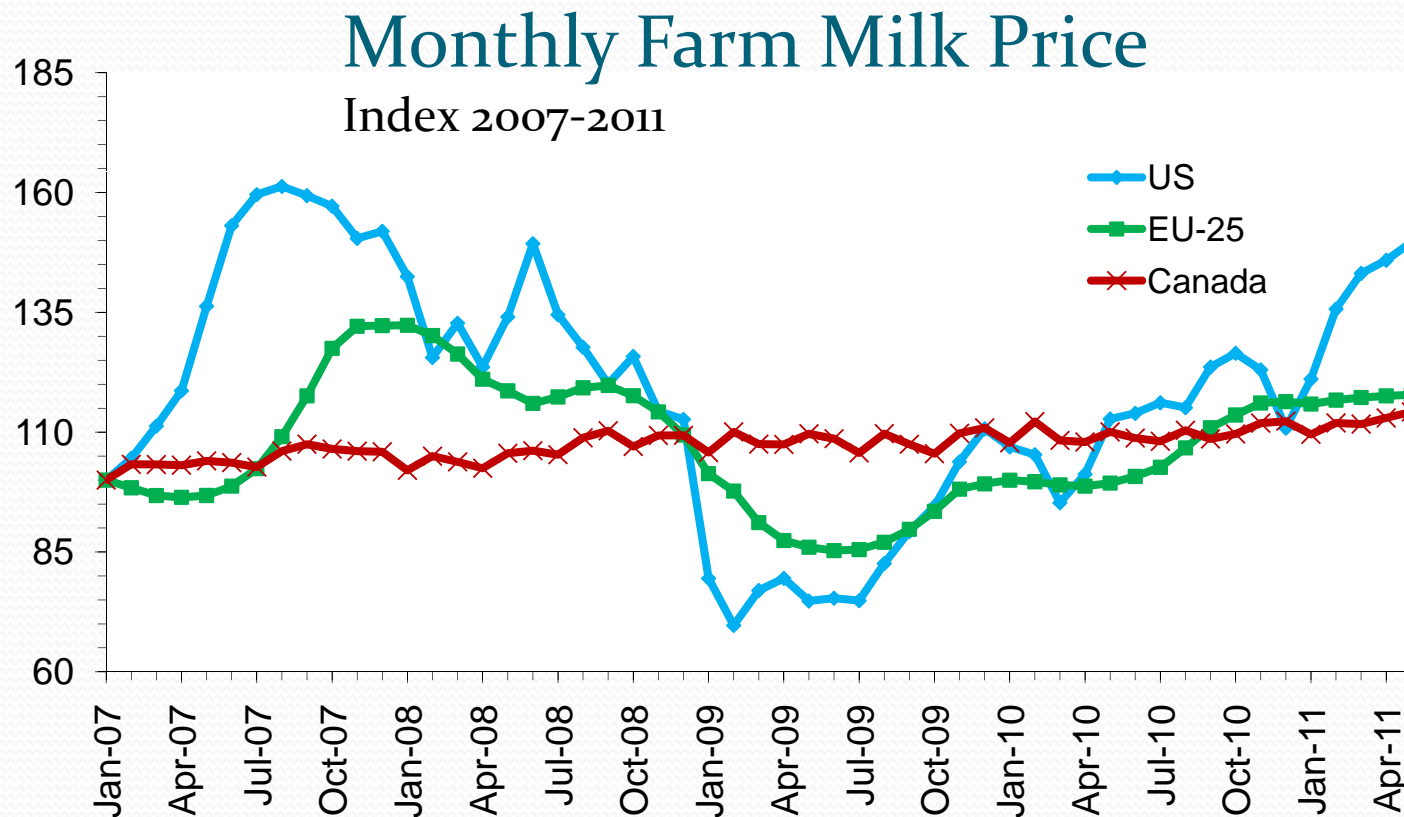


# 3. Fair Price to Farmers

- Cost of production survey
- Producers negotiate prices collectively
- Regulated stable price



# Canadian Price Stability

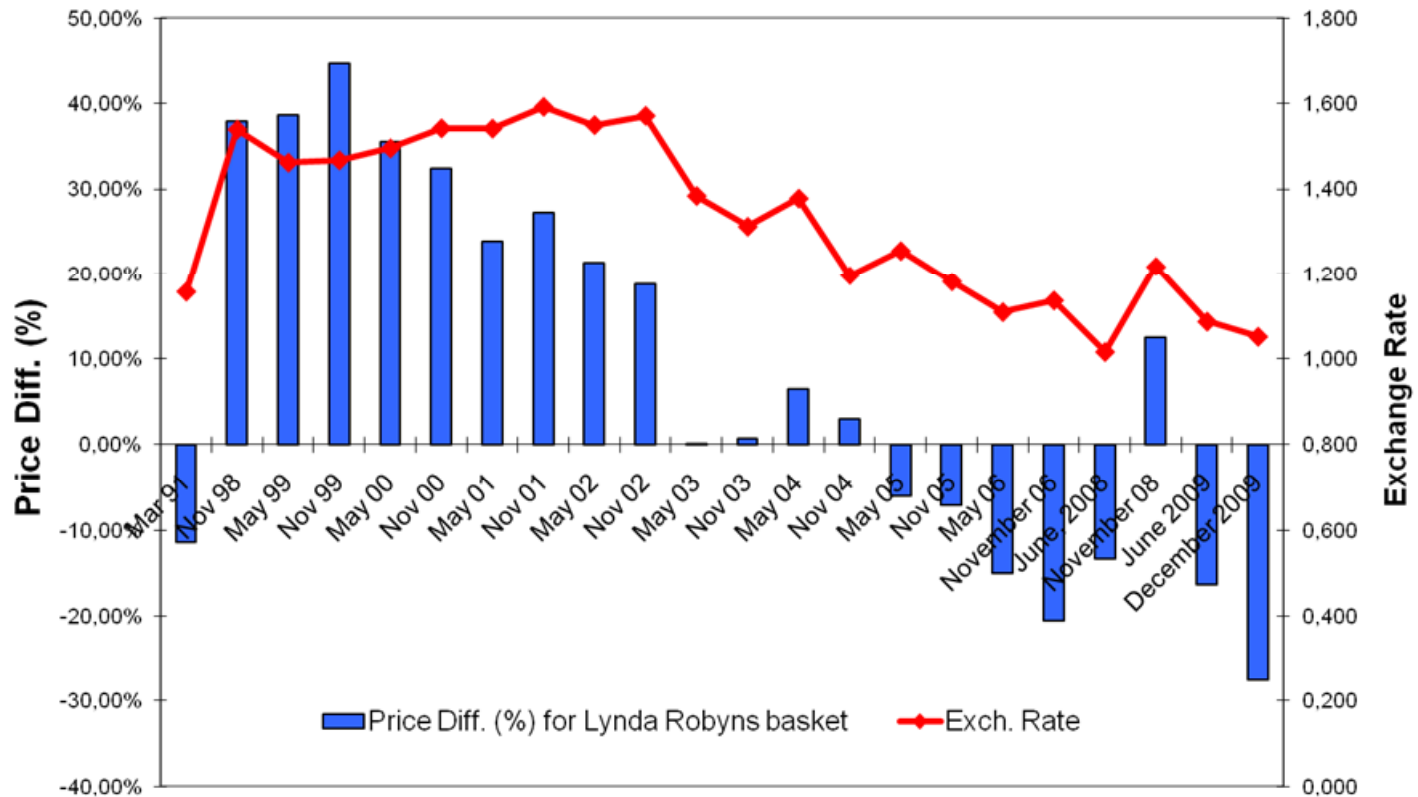


Sources: US highest of class III or IV, EU-25 farm price, Canadian farm price compiled by Canadian Dairy Commission



# Retail Prices: Canada vs U.S.

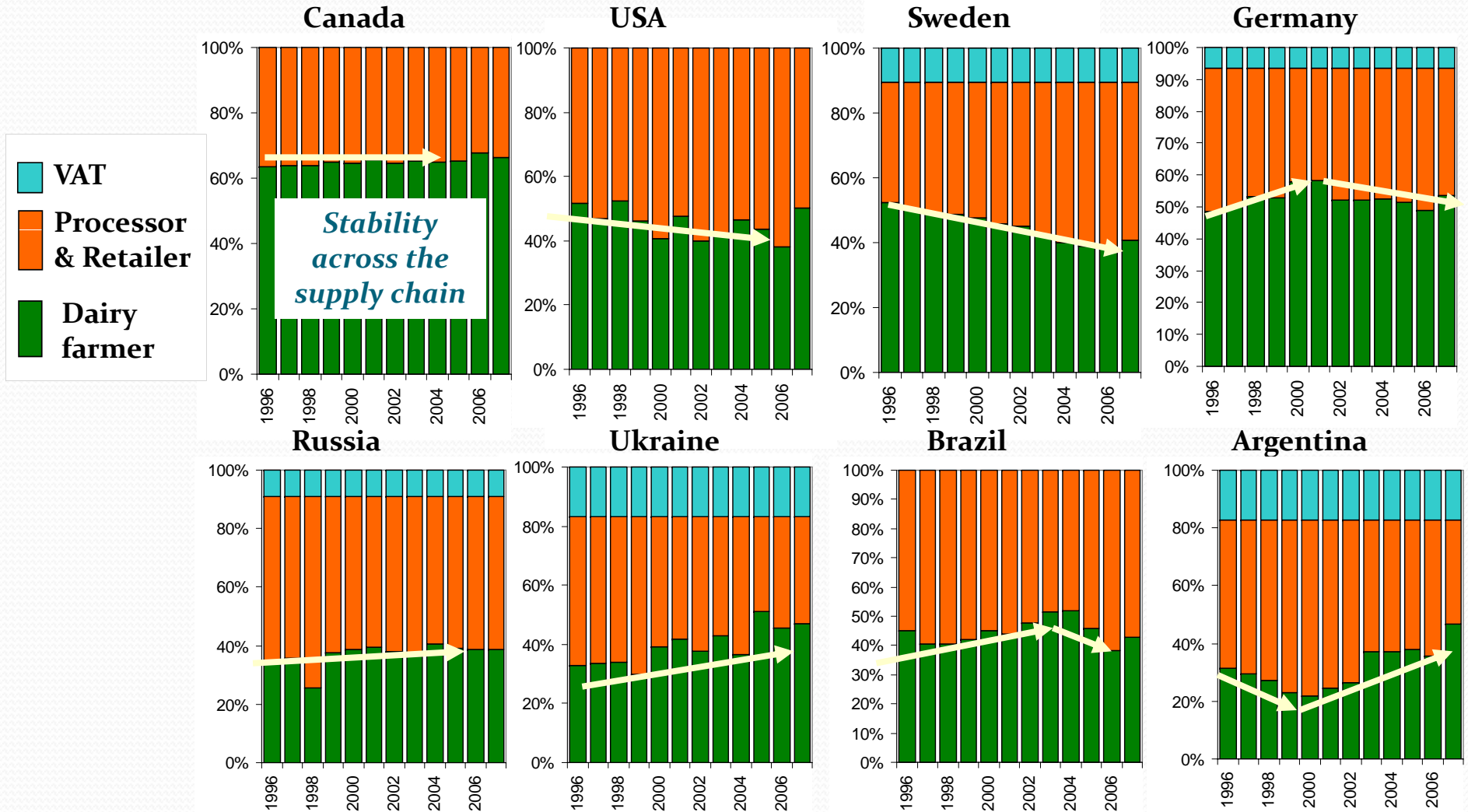
Exchange Rate and US vs Canada Price differential on Lynda Robbin's Dairy Basket





# Share of the dairy chain

Selected countries, statistical milk product 1996 – 2007



Source: IFCN research partners.

# Why do we still have supply management today?

- **Market concentration: 3 dairy processors (Saputo, Agropur and Parmalat) own 15% of Canadian plants and buy close to 80% of milk**
- **3 retail chains sell 65% of dairy products**
- **Volatility in world markets vs stable markets for dairy in Canada**



**No cost to government; all sectors profitable**

# What else supply management does?

- Reasonable cost for consumers:
  - 1.5% of disposable income spent on dairy products
  - Prices stable and reasonable
  - No government payments to prop up revenues (paying only once).
- Farmers responsible for surplus production
- World leaders in per-cow productivity (limits impact on environment)



# Challenges

- **Mature Market; limited growth**
- **Population growth and ethnicity**
  - Growth in demand expected to be in line with population growth (1% per year)
  - More diverse Canadian population – immigrants who do not have dairy in their traditional diets
- **Trade Liberalization**



# Challenges– WTO negotiations

- Is Liberalism inevitable?
- Doha Round of Negotiations (WTO) proposes
  - Over-quota tariffs -23%
  - TRQ +6%/ 4 years
- Potential loss to Canadian dairy farmers
  - 20% of their returns or \$1 billion



# International Trade

- **Canadian Government Trade Position**
  - Generally wants ambitious outcome / export-oriented
  - On sensitive products: No cut in over-quota tariffs or increase in TRQ for sectors under supply management (dairy, eggs, poultry)
  - Government support for supply management
    - in Speech from the Throne and other public platforms
  - ***because it works for the whole of dairy, poultry industry, it is wholly supported by farmers operating in these sectors.***



# Thank you!

## *Contacts*

DFC Delegates @ IFAJ

**Thérèse Beaulieu, Geneviève Fontaine, Elizabeth Jarvis**



[dairyfarmers.ca](http://dairyfarmers.ca)



• [@dfc\\_plc](https://twitter.com/dfc_plc)

• [@100CanadianMilk](https://twitter.com/100CanadianMilk)



[100percentCanadianMilk](https://www.facebook.com/100percentCanadianMilk)



[DairyFarmersofCanada](https://www.youtube.com/DairyFarmersofCanada)

# Link to other dairy sites from *dairyfarmers.ca /who-we-are*

[About Us](#)

[Our History](#)

[Our Partners](#)



## Dairy Industry

Providing a wealth of information about issues affecting the dairy industry in Canada and abroad.

[Canadian Dairy Commission](#)

[Canadian Dairy Information Centre](#)

[Canadian Dairy Network](#)

[Gay Lea Foods Co-operative Limited](#)

[International Dairy Federation](#)



## Dairy Research

Dairy research aims to improve animal well-being and learn more about the nutritional value of milk products.

[Atlantic Veterinary College / University of Prince Edward Island](#)

[Canadian Bovine Mastitis Research Network](#)

[Dairyman's Digest](#)

[Lennoxville Research and Development Centre](#)

[McGill University](#)

[McMaster University](#)

