

**Dairy Farmers  
of Canada**



**Les Producteurs laitiers  
du Canada**

**Presentation to the House of Commons  
Standing Committee on International Trade**

**Study: Comprehensive Economic and Trade  
Agreement with the European Union**

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**Wally Smith  
President**

**21 Florence St  
Ottawa, Ontario  
K2P 0W6  
613-236-9997**

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## **Dairy Farmers of Canada**

Dairy Farmers of Canada has been the voice of Canadian dairy farmers since 1934.

DFC is the national lobby, policy and promotion organization representing Canada's 12,965 dairy farms. DFC strives to create stable conditions for the Canadian dairy industry, today and in the future. It works to maintain policies that foster the viability of Canadian dairy producers and promote dairy products and their health benefits.

The organization is run for producers, by producers. Dairy producers fund its operations, including promotional activities.

DFC promotes the interests of the country's milk producers by coordinating the actions of dairy producer organizations on all issues of national scope, and collaborating with relevant agencies in the elaboration of national policies affecting the Canadian dairy industry. DFC's promotional objective is to increase the sales of dairy products to the financial benefit of producers and the health benefit of consumers.

DFC activities provide a national producer perspective in such areas as administration of the milk supply management system, pricing of industrial milk, WTO negotiations, international trade, domestic marketing (including advertising, promotion, nutrition, scientific and market research programs for milk across Canada and fluid milk in Eastern Canada) milk recording, milk products quality and safety, animal health, biosecurity, research and animal welfare.

## Our Vision of the Canadian Dairy Industry


A dairy industry comprised of profitable, independent farm businesses operating within a dynamic system of supply management, producing and promoting safe and high quality Canadian dairy products for consumers.

## The Mission of Dairy Farmers of Canada

Dairy Farmers of Canada's mission is to promote and defend the interests of Canadian dairy producers at the national and international level and provide a forum for constructive discussion and consensus building that ensures an environment for producers' economic viability within the context of supply management.

## Our Role

DFC provides leadership in:

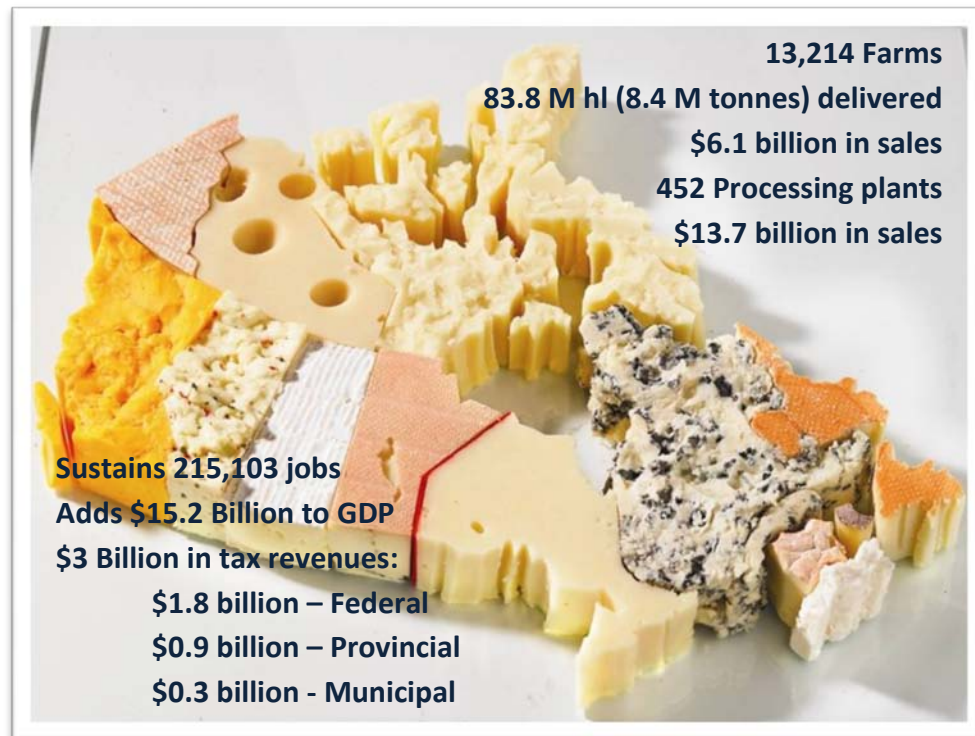
- Producers working together in taking control of their collective destiny;
  - Support of production of high quality milk on Canadian dairy farms;
  - Support of sustainable dairy production;
  - The development and maintenance of effective legislation, the implementation of which will maintain supply management;
  - The facilitation of solutions to provincial/national challenges;
  - Achieving consensus on national dairy policy and programs;
  - The creation of a national pool;
  - Globally promoting the goals, benefits and principles of a supply management system to all stakeholders;
  - Credible nutrition, education, research and marketing of the family of dairy products on a national basis, and;
  - Innovative ways to grow the market.
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# Dairy Sector Contribution to Canadian Economy and Regions

## Canadian Dairy Industry Snapshot:

### *Economic impacts of the Canadian dairy industry - 2009*



Source: The Economic Impact of the Dairy Industry in Canada: EcoRessources Consultants; published March 2011 Using 2009 data.  
<http://www.dairyfarmers.ca/news-centre/document-library/lobbying>

### Employs:

- 50,754 direct jobs (FTEs) in dairy production
- 73,426 direct jobs (FTEs) in the dairy sector
- 16% of the 320,500 jobs in Canada's agricultural production
- 12% of the 620,000 jobs (2005) in Canada's agri-food sector

### Compare that to:

- Aeronautics: 78,000 jobs in Canada (2005)
- Desjardins: 42,300 jobs in Canada
- Air Canada: 26,000 jobs in Canada
- GM Canada: 9,000 jobs in Canada

“The stable revenue generated by dairy farming has enabled the development of modern, efficient operations with constantly increasing productivity. Like a number of agricultural sectors, Canada's dairy farms have experienced concentration and increased productivity in recent years. The number of dairy farms is decreasing in every province, but milk production has remained stable and has even increased slightly since 2002 to reach 76.6 million hectolitres in 2009. From 2000 to 2010, the number of farms fell by 33%: from 19,411 to 12,965.”

- EcoRessources Consultants; March 2011.

## **Comprehensive Economic and Trade Agreement (CETA) with the EU**

While Canadian dairy farmers concentrate our efforts on the domestic market, international trade talks are an important aspect when it comes to maintaining the integrity of the Canadian supply management system in the future. In fact, the Canadian dairy supply management system depends on import controls, or the ability to manage imports at levels negotiated in international trade agreements. This is critical considering that dairy farmers discipline their production to ensure the market requirements are met, thus avoiding the production of surplus milk at dumping prices. Therefore, trade talks, whether at the World Trade Organization (WTO) or at the bilateral level such as CETA, have the potential of affecting our import control measures.

It is important to state that Dairy Farmers of Canada has never opposed Canada from entering into bilateral trade negotiations. We do not dispute the importance of trade. As pointed out by Minister Fast before this committee a few weeks ago, one out of five jobs in Canada depends on trade. This is significant but the other four out of five are also valuable. Put it another way, trade is important to Canada's economy as demonstrated by 20% of Canadian jobs depending on it. The sectors under supply management contribute 20% of Canada's farm cash receipts making it an important contributor to Canada's farm economy. One needs only to look at the current global economic climate to appreciate that each contributing sector to the strength and stability of the Canadian economy is cumulative in sustaining a prosperous and healthy country. The onus is on the government to provide the regulatory environment where all the sectors can thrive and continue to contribute to growing the economy for the benefit of Canadians.

Dairy farmers are proud of the dairy sector contribution to Canadian economy and regions and we like to think of ourselves as 'job sustainers'. From an agricultural trade perspective, in their Growing Forward 2 consultation paper, AAFC states that "Three quarters of Canadian processed food and beverages is destined for the domestic market." We should not lose sight of the fact that the Canadian market remains the primary market for Canada's agriculture and agri-food industry.

Given the importance of Canada's domestic market we need to make sure it will continue to be a prosperous marketplace for Canadian producers. For dairy, essentially 100% of our sales take place on the Canadian market. Exports represent roughly 1% of Canada's milk production; and export opportunities were severely limited as a result of the negative decision of various WTO panels on Canada's export policy.

## **DFC Supports Government Negotiating Position**

Over the course of the last 20 years, Canada has negotiated bilateral trade agreements with a number of trading partners and has always exempted dairy from the main provisions of these agreements. In other words, no concessions have been made with respect to tariff rate quota (TRQ) expansion and over-quota tariff reduction.

This is fully in line with the position defended by the Canadian government and which was clearly spelled out in the unanimously adopted House of Commons motion of November 22, 2005. The motion directs that Canada will accept no over quota tariff reduction and no TRQ expansion for its supply managed products. Canada's chief negotiator for agriculture has also confirmed that his mandate, not only in the context of the WTO, but also in the context of CETA, is consistent with this motion.

DFC supports the Canadian government's position.

The Canada – European Union trade talks are entering into what is regarded to be the most difficult phase of the negotiations. We have and continue to acknowledge that the Canadian government has maintained the strong position it has defended in these negotiations - opposing the European Union demands for increased access to our milk and dairy markets, notably cheese.

DFC is also pleased with the comments by Ministers Ritz and Fast, as well as their Parliamentary Secretaries, who have consistently reiterated on a number of occasions that they will not make any concessions on supply management and will continue to defend our farmers and sectoral interests at the international level.

This being said, the Europeans continue to seek access to our dairy market and we urge the Canadian government to continue to remain firm in opposing any concessions in this area.

In support of the Canadian government's position, we would like to highlight that Canada imports almost 10 times more dairy products from the EU. For a market that is 15 times smaller, it hard to say that Canada is a closed shop. More precisely, Canada's exports of dairy products totalled \$26 million (out of which cheese export totalled \$23 million) and we have imported dairy products worth \$217 million from the EU 27 (out of which cheese accounted for \$156 million).

Last February DFC appeared before this committee and raised the concern that any concessions at the bilateral level could result in a diminished negotiating position at the WTO. Canada cannot give any concessions in the CETA that would in any way undermine

the credibility of the Canadian negotiating position, in line with the 2005 House of Commons motion, at the WTO.

Until the negotiations are over, the debate over market access will continue to preoccupy dairy farmers.

### **Geographical Indications (GI)**

Another area of the negotiation that is of concern is the issue of geographical indications. As you may be aware, The Canadian government has opened the door to a negotiated outcome regarding the EU demands for a broad recognition of Geographical Indications. In considering this particular question, we must not lose sight of the fact that the Canadian cheese industry produces hundreds of varieties of cheeses, and many of them are based on recipes that were brought to Canada by the immigrants who have helped create the multicultural society that is Canada today.

The GI debate has the potential of severely affecting some of the cheeses we produce in Canada, notably parmesan and feta. These two cheeses account for approximately 3% of Canada's cheese production (7,876 tonnes of parmesan and 3,485 tonnes of feta). For these two cheeses, we estimate an income loss of \$100 million at the farm gate, notwithstanding the loss at the processing level. While we are not in a position to accurately estimate the losses at the processing level, we believe they could easily reach between \$25 - 30 million for the above referenced cheese varieties.

It must be further noted that a significant number of the cheeses that are produced in Canada are at risk, albeit in relatively small quantities, in comparison to products such as cheddar and mozzarella. Canada has a growing cheese making industry. Currently there are more than 600 varieties of cheese being produced by small cheese producers across Canada whom are equally important to Canada's economic health by supporting jobs in rural areas and contributing to Canada's economic prosperity.

The final outcome on GI should allow us to continue to produce those cheeses that are considered to be generic here in Canada and to market the great Canadian cheeses under the names they are currently being marketed.

The Canadian dairy industry strongly opposes the expansion of the protection conferred through GIs. There is quite a few cheese produced in Canada that could be negatively affected by a broad recognition of the GI principle and many of these are produced in small quantities. But in the end, these small cheese producers are equally important, create jobs in rural areas, and have helped the Canadian cheese industry acquiring its reputation.