

DFC UPDATE

SPRING 2013



Dairy Farmers
of Canada
dairyfarmers.ca



Sponsored and hosted every two years by Dairy Farmers of Canada, the Canadian Cheese Grand Prix (CCGP) celebrates the high quality, versatility and great taste of Canadian cheese made from 100% Canadian milk. DFC is proud to sponsor and host the CCGP as part of our commitment to promote excellence in Canadian dairy products.

This year, Quality Cheese Inc. Ricotta was crowned Grand Champion at the Canadian Cheese Grand Prix, making history as the first fresh cheese and the first cheese from Ontario to be honoured as a Grand Champion.

The Grand Champion and 19 category winners were selected from a record 225 cheese entries submitted by cheese makers from Prince Edward Island to British Columbia. The submissions were then narrowed down to 58 finalists by the jury in February.

The first edition of the Grand Prix took place in 1998, aiming to promote achievement and innovation in cheese making and to increase appreciation for fine quality Canadian cheese.

For the full list of the delicious category winners:
www.dairyfarmers.ca



Quality Cheese Inc. Ricotta



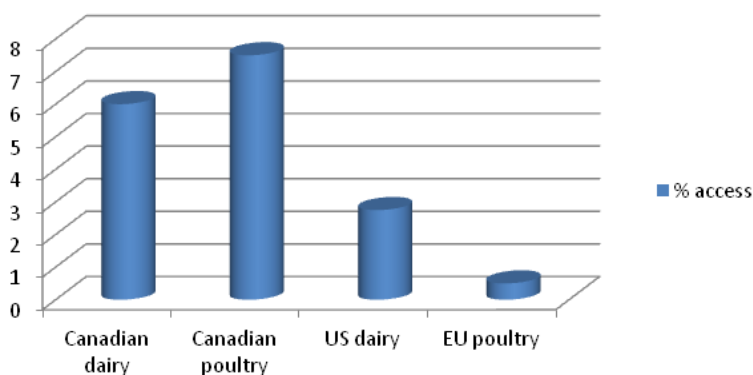
From left to right: DFC Executive Director Richard Doyle, DFC President Wally Smith, Grand Champion Albert Borgo from Quality Cheese Inc., and Phil Bélanger, Chairman of the jury

SUPPLY MANAGEMENT AND TARIFF-RATE QUOTAS

Farmers operating within supply management are committed to provide the Canadian market with quality products in sufficient quantities, without surplus. To achieve the goal of meeting consumer demand with domestic production, farmers must know how much is imported. The way to do this is through the negotiated levels of imports established under the rules of the World Trade Organization, the so-called tariff-rate quota (TRQ). The government is committed to limiting imported products to ensure the Canadian market needs are primarily met by Canadian production.

Between 6%-8% of Canada's dairy products are coming in tariff-free, which makes Canada more generous than US and EU.

Access under TRQ



A predetermined number of dairy products are imported tariff-free every year – for example, about 20 million kg of cheese. A higher tariff applies to any product above that level, effectively discouraging its entry. This keeps imports predictable under WTO rules.

Breaches in the system by players trying to circumvent the TRQs in place can make imports unpredictable. This is akin to making of one the three pillars of supply management unstable, affecting the system itself.

How were tariffs established?

Following the General Agreement on Tariffs and Trade (GATT) in 1994 that saw the switch from import quotas to tariff-rate quotas, the US and EU established their approach to calculating TRQs and over-quota tariffs. Canada mimicked their strategy to obtain similar protection levels as these two trading blocks. The use of TRQs is a right that all WTO members have.

What is the Government's role?

The government has a clear policy of support for supply management. DFC recognizes the government is firmly committed to supply management when it comes to defending our Canadian interests during trade negotiations. It also has a clear role to play in upholding the mechanisms that support the system, including the right to enforce its tariff schedule.

Trade agreements are not just about obligations, but also about rights.

Dairy Farmers of Canada believes that Canadian government institutions should apply the government policy supporting supply management and enforce the trade rules that are currently on the books — rules that strengthen the Canadian economy and uphold the principles that have been negotiated by governments for a robust and rules-based trading system.



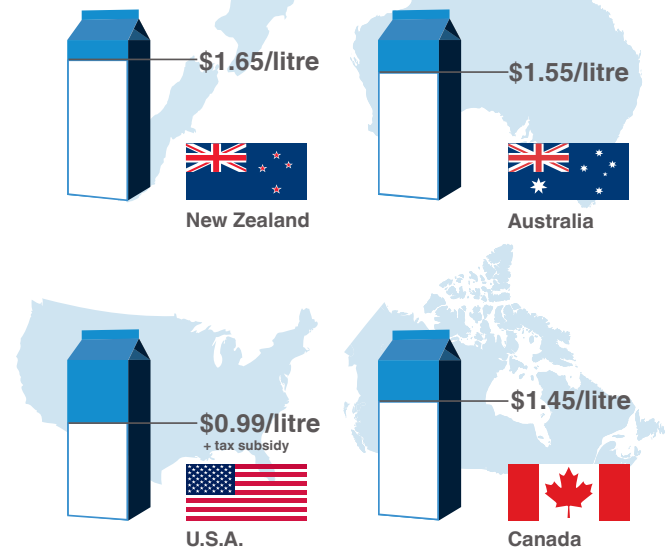
WHAT DETERMINES THE PRICE OF DAIRY PRODUCTS IN CANADA?

The price of farm milk is determined by its composition (butterfat, protein and other solids); and the utilization of its components whether it's made into cheese, ice cream, yogurt, butter or cream. Canadian dairy farmers receive no direct subsidies from governments. The price they get from the market has to reflect the cost of producing milk in Canada.

Being a vast, northern country with fewer consumers, Canadian products face higher transportation costs and weather-related challenges throughout the food distribution chain.

Remember, supply management does not determine the retail price of milk or dairy products; retailers do.

RETAIL PRICE OF MILK



A 2012 study by AC Nielsen showed average fluid milk prices in various countries, weighted to consumption patterns. Higher prices were observed in free-market models.

SODIUM IN CHEESE

Dairy Farmers of Canada recognizes the public health importance of reducing Canadians' sodium intakes. However, it is important to also acknowledge that salt (sodium chloride) is a key ingredient to ensure the safety of several foods such as cheese and that there are significant technological challenges, knowledge gaps and food safety considerations that need to be addressed when reducing salt in these foods. To address those in cheese, DFC has funded a major two-year study to provide critical scientific data to help define achievable yet safe reductions in the sodium content of Canadian cheese. The result of this study will be available in the near future.



Quick facts - Did you know?

- DFC is supporting Health Canada's sodium reduction plan and the sodium targets that were published in June 2012 and is actively participating in sodium reduction efforts in Canada.
- While technological challenges and food safety considerations to reducing sodium in cheese may exist, it is important to note that the vast majority of cheeses already fall below the 2016 maximum sodium targets set for the various cheese categories.
- Despite its sodium content, several studies have consistently shown that cheese does not have an unfavorable impact on blood pressure.
- More than just for taste, salt (sodium chloride) is used in the cheese making process to serve many functional properties; enzymatic and microbial control, humidity control, texture and to ensure food safety.



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Canadian dairy farmers follow strict regulations on the use of antibiotics



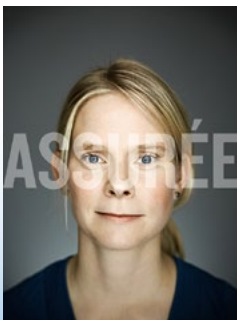
Canadian Dairy farmers work closely with veterinarians to ensure their cattle stay healthy. Unfortunately, just like humans, cows sometimes get sick, and when they do, they may need medications such as antibiotics.

When a cow needs antibiotics, the dairy farmer has to follow strict protocols. While the farmer continues to milk the cow, all of her milk is collected separately and discarded for a mandatory withdrawal period until her system is clear.

On the rare occasion that a load of milk does not meet the regulatory requirements when it arrives at the processing plant, the entire load is rejected and disposed of. Since milk samples are collected at each farm, a farmer who supplies substandard milk is easily identified and held accountable.

Penalties for supplying milk containing contaminants such as antibiotic residues are severe, so dairy farmers take great care in making sure their milk is in its purest form.

*There are 100 good reasons to choose 100% Canadian milk
Find yours on www.100goodreasons.ca*



For information:

Avaleigh Eastman

Government Relations Coordinator
Government Relations and Strategic Communications
avaleigh.eastman@dfc-plc.ca

Émilie Jadot

Communications Coordinator
Government Relations and Strategic Communications
emilie.jadot@dfc-plc.ca

Dairy Farmers of Canada
21 Florence
Ottawa (Ontario) K2P 0W6
Tel.: (613) 236-9997
Twitter: @dfc_plc