

PUTTING CANADIAN DAIRY FIRST



KEEP THE CANADIAN DAIRY INDUSTRY STABLE AND STRONG

- **Canadian dairy is a national industry with strong economic contribution in every region.**
- **Canadian dairy farmers want to derive their income from the marketplace, not taxpayer subsidies.**
- **Canadian dairy farmers want to grow the domestic dairy market to benefit Canada.**

On October 16, the Government of Canada agreed with the EU to a tentative Comprehensive Economic and Trade Agreement (CETA). Canadian dairy farmers and cheese makers are concerned with the level of access given to fine cheeses from Europe, which present a serious challenge to Canadian fine cheese makers.

The EU would get an additional tariff-free access of 18,500 tonnes (16,000 tonnes of “fine cheeses”, 1,700 tonnes of “industrial” cheeses and 800 tonnes under the existing TRQ). This is over and above the 13,471 tonnes the EU already has under the Canadian cheese TRQ.

SUMMARY OF POTENTIAL IMPACTS ON DAIRY FARMERS AND SECTOR

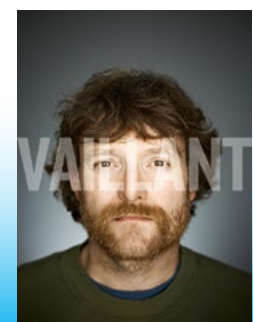
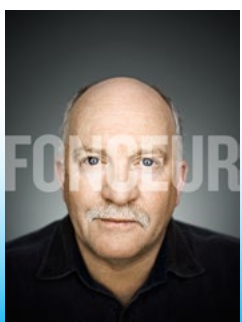
There are many aspects of the deal that mean **unpredictable imports** into the Canadian dairy sector:

- The deal creates a new category of “quality cheese” which remains undefined.
- Based on the current level of imports from the EU and the significant portion that is ‘fine cheese’, the impact, depending on the cheese that may come into the Canadian market, is anywhere from 15-30%, but we have no predictability on what will be imported.
- The impact will be most felt in the ‘fine cheese’ category.

That **unpredictability** will result in **instability** in the Canadian dairy sector, which is the opposite of what supply management was created to do.

The EU access will total 31,971 tonnes or 7.5% of the Canadian cheese market. Imports (all countries) will then move from 5% to 9% of total Canadian cheese market.

The additional access is equivalent to a 2.25% cut in farm quota, bringing a potential farm income loss of nearly \$150 M/year.



Why “unfettered access” to the EU market means nothing to Canadian dairy farmers:

- In the early 2000s, a WTO panel ruled that any export from Canada sold below domestic price is effectively considered “subsidized”, making it even harder for Canadian dairy processors to export products.
- Subsidies in the EU can make up as much as 40% of farmers’ income and they get a lower market price for their milk.
- The EU is keeping its protection of geographical indications (GI), including 5 cheeses produced here. While grandfathered, the current cheese makers could never export to the EU, and cheese makers wanting to produce cheeses on the GI list would have to add a qualifier (ex: Asiago-like).
- There is no doubt that Canadian cheese can compete on quality with the EU. The issue is that the marketplace is not the same.
 - o The EU has 500 million consumers compared to Canada’s 36 million.
 - o Canada’s land mass is double that of the EU.
 - o Population concentration: The EU has 114 people per km² while Canada has only 3 people per km².
 - o Canadian products face higher transportation costs.
 - o Economy of scale: Canada’s smaller artisan cheese makers dot the country. Exporting European countries often have fewer, much larger companies.
 - o Due to climate, transportation and social costs, among others, the cost of producing and processing milk in Canada is higher.

A STABLE AND STRONG CANADIAN DAIRY SECTOR IS GOOD FOR CANADA

- In seven out of ten Canadian provinces, dairy is one of the top two agricultural sectors.
- The sector’s GDP contribution has risen from \$15.2B in 2009 to \$16.2B in 2011, and jobs grew from 215,104 to 218,330.
- In British Columbia, 45% of agricultural workers are employed on supply-managed farms (dairy, poultry and eggs).
- More than half of the farm sector revenues in Nova Scotia come from supply managed products -- in fact, dairy alone accounts for 28% of all the farm sector revenues in the province.
- On Prince Edward Island, Amalgamated Dairies Limited (ADL) processes close to 100 million litres of milk each year, employing more than 250 people.
- In Ontario and Québec, thousands of farms and processing plants dot the landscape.

ASK TO THE GOVERNMENT:

DFC and members ask the Federal Government to work with DFC to ensure that:

1. the industry can continue to be stable, strong and forward-looking,
2. that the impact on Canadian dairy farmers as a result of the government’s CETA decision be fully mitigated.

