



DAIRY FARMERS: CARING FOR FUTURE GENERATIONS

DFC UPDATE

FEBRUARY 2015

Dairy Farmers
of Canada

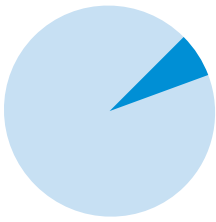



CANADIAN DAIRY:

DAIRY IS A STRONG AND STABLE JOB SUSTAINER AND CONTRIBUTOR TO CANADA'S ECONOMIC PROSPERITY

\$19.4 B Dairy sector's contribution to Canada's GDP

218,000 total jobs :  112,000 full-time on farms (equivalent) +  106,000 in processing

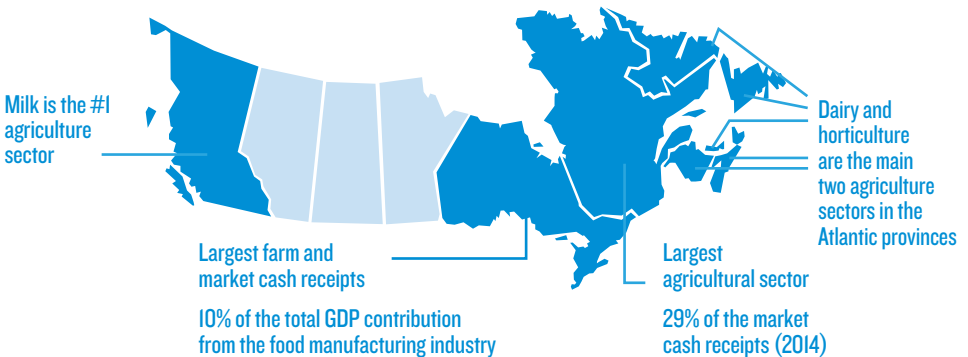


15%  of the total direct jobs in Canadian agriculture (farms only)

\$3.7 B

local, provincial and federal taxes

DAIRY IS ONE OF THE TOP TWO AGRICULTURE SECTORS IN 7/10 PROVINCES



Many new plant start-ups since 2010

4
in British Columbia

10
in Ontario

12
in Quebec

SUPPLY MANAGEMENT:

ENABLING CANADIAN DAIRY STABILITY AND PROSPEROUS FUTURE

It supports local communities

In addition to providing jobs and supporting local businesses, dairy farmers are leaders in their communities supporting food banks and local sports events that promote healthy, active living and community spirit. Dairy farmers are proud to farm where they live.

Supply management provides stability and predictability that empowers farmers to reinvest in their farm operations and continue research to spur innovation to grow the marketplace. This also generates economic prosperity and jobs in Canadian communities.

It ensures the Canadian marketplace is supplied with high quality, safe products

It achieves this while ensuring reasonable price returns to the farm from the marketplace. Farmers have and continue to make on-farm improvements that benefit all consumers. Canadian dairy farmers will continue to work every day to ensure a variety of local, quality products are available to Canadians across the country.

It is compatible with a balanced trade agenda

The Canadian government has been able to sign numerous trade agreements while maintaining supply management and the three pillars, proving it is not a barrier to securing trade opportunities for Canada's export sectors.

All countries retain the right to develop domestic policies that benefit their nation and protect their strategic interests. All countries have defensive interests in trade negotiations.

It enables Canadian farmers to get their returns from the marketplace

The same cannot be said for farmers in other dairy producing countries. Currently, world dairy prices have plunged from an all-time high to an all-time low, causing uncertainty for many farmers.

Every country in the world has policies to favour agricultural production. Canada has a supply management system for dairy products. Many other countries in the world have to resort to subsidies and other bailout mechanisms to directly or indirectly subsidize domestic production in order to assist their respective dairy sectors that suffer from price volatility.

The International Farm Comparison Network (IFCN), has been tracking the world milk price and the cost of producing milk. It has found that volatility takes a toll on dairy farms.

In 2009, only 16% of the world's milk was sold at a price that was greater than the cost of producing it. This proportion rose to 75% in 2011 only to plummet back to 16% in 2012 and rise again to 76% in 2013. The preliminary estimates for 2014 show another severe plummet to roughly 12%.

What about retail prices worldwide?

The latest global price comparison (for the year 2014) shows our consumers get a good deal in Canadian stores as they pay about \$1.30 a litre for fresh milk, which compares well with \$1.83 in New Zealand, \$1.81 in France, \$1.15 in the United States and \$1.19 in Germany, while China's prices are more expensive at \$2.35 a litre.

**SUPPLY MANAGEMENT IS A
PROVEN POLICY THAT SUPPORTS
A STRONG, STABLE AND
SELF-RELIANT DAIRY SECTOR.**



DEFENDING CANADIAN DAIRY:

WE NEED PREDICTABILITY IN THE MARKET AND AT THE BORDER

The government must ensure negotiated commitments and obligations are respected

Canada's predictable, effective and enforced tariff system is centred on the principle of rules-based trade. Other government-wide policies must continue to be respected at the same time, such as government implementation and administration of supply management and its three pillars.

Government leadership is needed to ensure that government agencies, namely the Canada Border Services Agency and the Canadian Food Inspection Agency, continue to fulfill their legislative and regulatory responsibilities to honour Canada's international obligations. This includes respecting and enforcing domestic policies, such as supply management, in their duties at the border.

The aim of the Canadian dairy supply management system is to balance supply and demand, as well as balance market power among the supply chain stakeholders. Import controls or the ability to predict imports are critical, considering that dairy farmers manage their production to ensure domestic demand is met without creating unnecessary surpluses.

Imports must be planned to ensure they do not disrupt the domestic delivery of milk to Canadian processing plants that employ Canadians in communities across the country.

The government's CETA implementation plan must ensure no negative impact on dairy farmers

The negative impacts of the additional access given to the European Union (EU) in the Comprehensive Economic and Trade Agreement (CETA) remain of great concern to dairy farmers. It is estimated that the 17,700 tonnes of additional cheese imports into Canada could translate into a yearly loss of market of approximately \$125 million for dairy farmers alone.

Additionally, the administration of the new, additional cheese imports quotas, as of yet still an unknown, needs to be a crucial component of the federal government's mitigation plan for the dairy industry. The allocation and administration of these import quotas could have a direct impact on the predictability of the supply management system and the three pillars.

Dairy farmers are immensely proud of the blooming Canadian cheese sector and the Canadian cheese makers, small, medium and large, who are producing award-winning cheese for the local and domestic marketplace.

We are asking the federal government to allocate the new import quotas within the Canadian dairy industry.



The government must negotiate trade deals that respect Canadian interests

Dairy Farmers of Canada (DFC) will continue to closely monitor trade talks and oppose any proposals that could negatively affect the Canadian dairy supply management system. Farm and processing businesses in our industry want to grow, prosper and remain viable.

Global dairy markets and export opportunities must be put into perspective

The reality is that Canada is a much more open market compared to the U.S. and the EU, with about 8% of Canada's dairy consumption supplied by imported products coming in tariff-free.

The volatility that is once again wreaking havoc on global dairy markets is prompting concerns that it is devaluing the product with long-term impacts on the farm sector.

Exports originating from two of the largest milk-producing jurisdictions, the EU and U.S., benefit from a generous level of support in their respective jurisdictions. This creates an uneven playing field, not only on the U.S. and EU markets, but also on the Canadian domestic market as we will be facing additional competition as a result of CETA.

Back in the early 2000's, Canada lost a World Trade Organization panel that ruled that any export from Canada sold below domestic price is considered "subsidized."

It is prohibited to use export subsidies to sell in the EU. Canada is not in a position to realize huge benefits from the apparent opening of the EU dairy market. The reality is also that subsidies in the EU can make up as much as 40% to 50% of farmers' income and they get a lower market price for their milk. The EU's Common Agricultural Policy has an annual budget in the neighbourhood of \$80 billion, which makes it possible for their industry to export at the world price.

This puts Canadian milk and dairy products at a price disadvantage.

Our best and most important market is the Canadian marketplace. We need an efficient and effective supply management system to enable the dairy industry to serve Canadian consumers with safe, high-quality dairy products.



GLOBAL HEADLINES:

STORY OF THE WORLD DAIRY SITUATION

Across the globe, dairy farmers and governments are holding emergency and crisis talks on how to deal with the fact that dairy farmers are unable to cover costs from the marketplace.

In a sea of volatile global dairy markets, Canada is fortunate to have a strong, stable and reliable dairy sector as a result of our dynamic supply management system.

UNITED STATES

DAIRY INDUSTRY IN FOR MILK BUST FOLLOWING 2014 BOOM

UNITED KINGDOM

DAIRY FARMERS FACE PAYMENT DELAY

FALL PRICE OF MILK “COULD FORCE DAIRY FARMERS OUT OF BUSINESS”

CHINA

CHINA FOCUS: CHINESE DAIRY FARMERS RESORT TO DUMPING MILK, KILLING COWS

NEW ZEALAND

REGIONS BRACE FOR HARD TIMES FEAR RISE OF LONGER DAIRY SLUMP



SUPPORTING DAIRY FARMERS: SUPPORTING SUPPLY MANAGEMENT

KEEP CANADIAN DAIRY STABLE AND STRONG

Canadian dairy farmers on trade matters:

- Acknowledge the government's repeated assurances that supply management and its three pillars remain intact.
- We are counting on the commitment from the federal government to compensate dairy farmers as a result of any negative impact from the CETA deal. We are awaiting more precision on the government plan to deliver on this commitment.

Canadian dairy farmers on the future of Canadian dairy industry:

- Want to grow the domestic dairy market to benefit Canada's families, communities and economy.
- Want to derive our income from the marketplace, not taxpayer subsidies.
- Are committed to working with government and processors to ensure we keep Canadian dairy sector stable and strong while delivering high quality, Canadian-made dairy products to Canadian consumers.
- Are committed to a national industry with strong economic contribution in every region.
- Are willing to work with government and processors on the development of a new market environment in line with a flexible, market-responsive approach. This will further increase markets for dairy products and ingredients while maintaining the core elements of supply management for dairy.

In 2015, Canadian dairy farmers ask the federal government and all parliamentarians to

- Publicly support supply management by sharing how it benefits all Canadians: dairy farmers, processors, consumers and taxpayers.
- Oppose any proposals that would adversely impact Canadian dairy and the supply management system by committing to defend supply management and the three pillars in all international and interprovincial trade negotiations and forums, meaning
 - Dairy cannot accept any further increase in market access or reduction in over-quota tariffs in order to continue to serve the domestic market.
 - No negative impact on farmers' income as a result of government decisions.
- Ensure that Canada's border control measures are applied in a manner that avoids any unintended disruptions to Canada's dairy production sector.
- Support the Canadian cheese sector by enabling dairy farmers and cheese makers to seize opportunities to increase their effectiveness, capacity and presence on the Canadian market.
- Allocate the cheese quotas conceded to Europe in CETA to Canadian cheese makers.

**THANK YOU FOR SUPPORTING
CANADIAN DAIRY FARMERS.**

SUSTAINABILITY FOR FUTURE GENERATIONS

Our proAction® Initiative is integrating customer assurance programs that will offer proof of good stewardship and excellence on all Canadian dairy farms. This includes milk quality, food safety, animal care, traceability, biosecurity and environment.

Dairy farmers are committed to ensuring consumer confidence through continuous improvement and adherence to on-farm programs that will demonstrate that the Canadian milk and dairy products they enjoy are of the highest quality and responsibly produced.

The national Dairy Research Cluster brings together scientific expertise for research in key areas such as sustainable milk production, dairy genetics and genomics, and the nutrition of milk products. Dairy research for a healthy world.

Dairy farmers are committed to continuing research, education and training for the betterment of our industry, as well as for the next generation of dairy farmers and industry stakeholders.



CONTACT:

Rosemary MacLellan

613-236-9997 ext. 2772

rosemary.maclellan@dfc-plc.ca



dairyfarmers.ca



@dfc_plc



YourMilk.ca