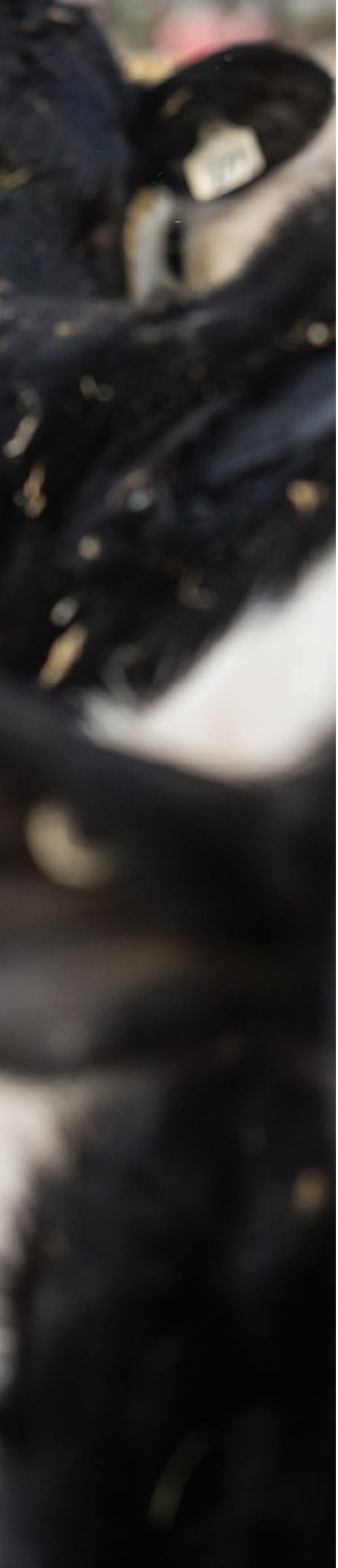
Nancy Wert
Stanlee Farms

2017 CANADIAN DAIRY SECTOR OVERVIEW

DAIRY FARMERS OF CANADA™

DAIRY FARMERS OF CANADA™



As Canada celebrates its 150th anniversary, Dairy Farmers of Canada celebrates the many contributions Canadian dairy farmers have made toward the evolution of our nation's communities, culture and economy. Historic milestones provide us with an opportunity to reflect on our rich cultural heritage, while also considering the role Canadian dairy farmers will play in shaping the future of our great country.

Canadian dairy farmers have contributed to Canada's evolution from far-flung French and British colonies to its emergence as a respected global player.

When Canada's earliest settlers, including Samuel de Champlain, set sail for the New World, they brought livestock with them to help provide them with a sustainable source of nourishment for their new lives. To these explorers, cows were a lifeline, a consistent source of healthy food. For Canada's earliest settlers, dairy meant survival in a harsh new landscape.

It was during these initial forays into the New World that Canada's first dairy farms were established—providing homes for the settlers and cows who had made the voyage. Several dairy farms in operation today are older than Canada itself, dating to well before confederation in 1867. These farms, passed down from generation to generation, and the farmers that run them, have long acted as stewards of our Canadian land.

From the time of Canada's first settlers to today, dairy has been a staple of our nation's rural communities—while providing healthy, high-quality milk, cheese, and butter, for our urban centres. Dairy is a longstanding part of Canada's history. It is both a sustainable provider, and a key economic driver for our country. Dairy has always been at the heart of Canada, because Canadian milk matters.

We have prepared this package as an introductory guide to our sector. This booklet addresses the economic impact of our sector, and explains how our supply management system works, including its three pillars. It also outlines the potential impacts of international trade agreements on Canada's dairy sector, the importance of effective border measures, and the ongoing modernization of nutrition, as well as potential changes to the way food is labelled.

Thank you,

Dairy Farmers of Canada

Content

Raphaël and Éric Maranda
Ferme Réomax

Section 1 Who We Are

Since 1934, Dairy Farmers of Canada (DFC) has acted as the voice for the entire community of Canadian dairy farmers; promoting and defending their interests at both the national and international levels.

While our commitment to farmers has never faltered, our mandate has evolved considerably. Since the 1960s, the primary role of DFC has been to advocate for policies that stabilize the market and bring fair returns to farmers, contributing to the creation and evolution of the successful supply management system we have today. In 1994, Dairy Farmers of Canada merged with the Dairy Bureau of Canada—the national organization then responsible for the generic promotion of Canadian dairy products. Today, DFC's scope of activity includes all policy, marketing, nutrition, government and stakeholder relations, and research initiatives at the national level. Our goal is to represent the farmers on each of Canada's 11,280 dairy farms, and to create viable conditions for the nation's dairy industry that allow it to thrive and remain a bedrock of Canada's rural communities for generations to come.

Alain Philippot
Philippot Farms

How We Are Organized

Similar to Canada itself, DFC is a federation whose membership is constituted by the dairy associations/marketing boards within each of the 10 provinces. As each province in Canada has its own unique set of challenges, and opportunities—so too do each of DFC's provincial members. Like Canada, there is a duality that exists within DFC that strives to balance the individual particularities and needs of each of our provincial members, with our shared national identity, for the collective benefit of dairy farmers across the country. As in any family or federation, achieving this balance can prove challenging at times; however, at the end of the day, DFC and its members have always remained united, and acted collectively in support of supply management, the Canadian dairy sector, and our incredible Canadian dairy farmers.

The DFC board of directors comprises 16 members; 14 of them named by their respective provincial associations. This includes three from each of Ontario and Quebec and one from each of the remaining eight provinces. The two remaining members are the President of DFC, as well as a member of the Canadian Dairy Network, which represents the dairy cattle breeds in Canada. We are an association run for farmers by farmers.

Each provincial association/marketing board is a regulated buyer of milk from dairy farms in Canada, and negotiates conditions of milk sales to processors based on market demand. These conditions include the implementation of quality and sustainability standards. Provincial associations are also involved in communications, marketing and research activities. Most also deliver innovative research and education programs in schools that foster awareness of both agriculture and the dairy sector in Canada. Working hand in hand, DFC and the 10 provincial associations represent farmers' interests and create the environment needed to operate sustainable dairy farms that produce high quality milk for Canadians.

International Involvement

DFC is a member of the International Dairy Federation and participates in various expert groups such as the Standing Committees on Nutrition and Health, Marketing, Environment, Sustainability, Food Standards, and Dairy Safety and Quality that share knowledge, scientific information and expertise across borders. DFC also participates and contributes to the work of international associations such as the World Farmers Organisation, the Global Dairy Platform, and the International Farm Comparison Network. The Canadian dairy sector is proud of what we do, how we do it, and what we bring to the table—and is eager to share it with the world.

OUR VISION, MISSION, AND VALUES

The number of programs led by DFC on health, education, research and advocacy are succinctly captured in our vision, mission and values statements:

DAIRY FARMERS OF CANADA NEW LOGO

In 2016, DFC launched a new logo that captures our past - and positions us for the future. **Our new logo represents both Dairy Farmers of Canada as a collective, as well as the individual dairy farmers from across the country** who proudly contribute to the health and well-being of their fellow Canadians through dairy products.

A certification of origin logo, replacing the blue cow, was released in January, 2017, to enable Canadians to **easily identify products made with 100% Canadian milk.**

For over two decades, the blue cow logo represented dairy products of Canadian origin. Over time, its use was extended to represent Canadian dairy farmers generally. Our research indicated it was time for a change.

While our look may have changed, we will always remain committed to providing Canadians with the same sustainably produced exceptional quality milk the nation has come to trust and rely upon.

Section 2 What is Supply Management?

The Canadian dairy farming sector operates under what is known as supply management. The objectives of Canada's dairy supply management include:

- Ensuring farmers receive a fair return, derived completely from the marketplace, on their capital and labour costs;
- Providing processors with a stable supply of milk, so that they can properly plan their production year after year; and,
- Providing a consistent supply of milk and milk products of the highest and safest quality, at a **fair price**.

The system enables Canadian dairy farmers to act collectively to negotiate prices and adjust milk production to meet consumer demand. Supply management ensures Canadian prices remain relatively stable and less subject to the volatility of the global market. Unlike many other jurisdictions, including the United States and the European Union, supply management allows Canadian dairy farmers to earn comparatively stable returns, directly from the marketplace, **without the need for direct government subsidies**.

An effective supply management system also requires a commitment from the federal government to ensure the importation of dairy products is predictable, and complies with Canada's international trade agreements.

Historical Perspective

The government of Canada implemented a supply management system in the early 1970s to provide greater market stability, match production with consumer demand, and to ensure a fair return for farmers. Canadian dairy was the first sector to operate under supply management, a system that egg and poultry producers would later adopt.

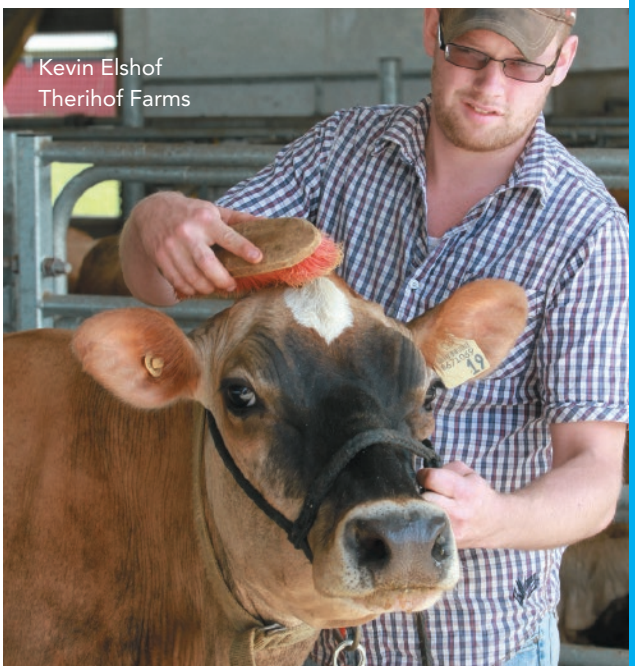
For the dairy sector, the supply management system is administered nationally by the Canadian Dairy Commission (CDC), a crown corporation which serves as a secretariat to the Canadian Milk Supply Management Committee (CMSMC). Each year, the CMSMC is responsible for assessing the consumer demand for milk products and adjusting the national target for production accordingly.

How Does Supply Management Work?

The basic idea behind supply management is simple, and is similar to what producers in every industry do. The goal is to manage production so that supply balances demand, and to enable efficient farmers to cover their costs of production.

Each farm owns quota (market share), and only produces as much milk as is required by the Canadian marketplace—while limiting surpluses. This enables farmers to earn a predictable and stable revenue directly from the market.

Supply management can be visualized as a roof supported by three pillars: producer pricing, production discipline, and imports management. If any one of the three pillars becomes unstable, the entire system risks collapse.


Kevin Elshof
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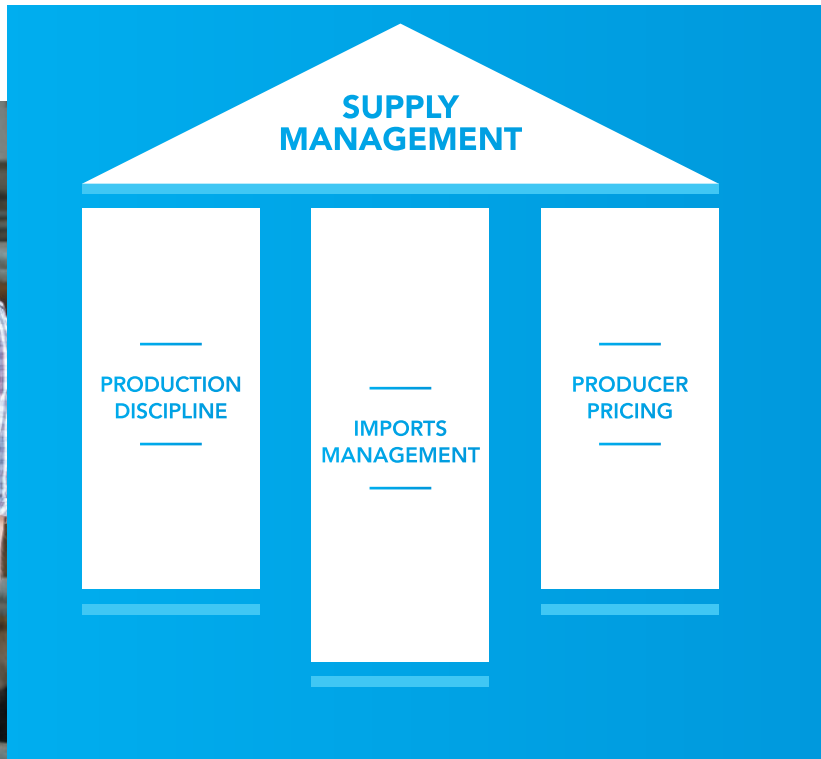


The Three Pillars of Supply Management

1. Producer Pricing: To ensure price stability for farmers, the milk price received by dairy farmers takes into account both the costs of production, including capital and labour costs, and the overall condition of the Canadian economy. Without supply management, the Canadian government would have to provide a substantial level of subsidization—which is often common in non-supply managed jurisdictions, to help farmers survive the increased price volatility observed in the world market.

It is also important to note that the CDC and provincial milk marketing boards do not set the retail price, and neither do the farmers. **Retailers set the price that consumers pay at the grocery store.**

2. Production Discipline: To ensure the supply of Canadian milk equals the demand from consumers, each farm in Canada owns quota (market share) that allows it to produce a certain amount of milk. Depending on consumer demand, the amount that a quota allows dairy farmers to produce can increase or decrease. This is an efficient way to avoid overproduction and to ensure a fair and stable return for farmers. The relative income stability provided by supply management allows Canadian farmers to constantly innovate and invest in their farms, rather than hold income in reserve as insurance against market volatility.

3. Imports Management: In Canada, imports are managed using tariff rate quotas, or TRQs. These allow a predetermined quantity of dairy products to be imported at preferential tariff rates (generally duty free). To maintain control over how much is imported, the over-quota tariffs are set at higher levels. For example, when we say that the Comprehensive Economic and Trade Agreement granted an additional access of 17,700 tonnes of cheese to the European Union, we mean that an additional 17,700 tonnes of cheese can be imported into Canada from the EU tariff-free. Any quantity over and above that amount would be subject to a higher rate of duty.

Imports management is an essential part of the Canadian government's responsibility towards maintaining supply management. Without any controls on imports, it is impossible to ensure that supply actually equals demand. A lack of imports management will inevitably lead to instability within the system.

In contrast with the highly unstable global market, when the three pillars of supply management function as intended, the dairy industry can weather economic storms, and remain sustainable and self-sufficient. This allows Canada's dairy farms to remain profitable and continue to produce high-quality Canadian milk **without government subsidies**—unlike other global jurisdictions. Supply management enables Canadian farmers to invest millions every year into their farms, in terms of infrastructure, equipment, feed, and services. It also enhances contributions to their communities and the future of our economy, and facilitates the adoption of a long-term perspective, as well as many mandatory healthy and sustainable practices that benefit the environment and the wellbeing of their animals.

Without supply management, due to the volatility of the global market, the comparatively high costs of production in Canada (due to a colder climate), and the perishable nature of their products, many Canadian dairy farmers would simply go out of business. This would put the dairy sector in jeopardy, which would hurt Canadian communities, Canadian consumers, Canadian farmers, and the Canadian economy.

Section 3 Canadian Dairy: A Driver of Economic Growth

Dairy farmers were among the first groups of settlers to arrive and settle in the New World. When they cleared the land and founded their small farms, they nourished not just their own families, but their growing communities. Today, many of these farms have flourished and have become key contributors to Canada's economy.

Dairy is one of the top two agricultural sectors in seven out of 10 Canadian provinces. According to a study conducted by EcoRessources in 2015, nationwide, the dairy sector sustains approximately 221,000 full-time equivalent jobs, and contributes roughly $19.9 billion a year to Canada's Gross Domestic Product (GDP). It also remits $3.8 billion a year in taxes at the federal, provincial and regional levels. Dairy remains a dynamic sector; all of these numbers have increased significantly since the last EcoRessources study was conducted in 2013. In addition, dairy farmers do not receive any direct payment from government to produce milk—**all revenue from milk sales is generated from the marketplace.** Within Canada, a vibrant dairy industry means more jobs, improved access to rural infrastructure, and a stronger economy that all Canadians benefit from. The dairy industry is a mainstay of the Canadian federal and provincial economies, generating significant impacts. With its continued growth, the sector creates new jobs and helps stimulate the economy across all provinces, as well as within numerous rural communities Canada-wide.

One of the **top two** agricultural sectors in **7/10 provinces.**

CANADIAN DAIRY: AN ENGINE FOR JOBS

11,280 FARMS

$8.7B TO GDP

115,793 JOBS

+

444 PLANTS

$11.2B TO GDP

105,143 JOBS

=

$19.9B

to Canada's GDP

220,936

Canadian jobs

Source: EcoRessources, 2015 data

The state-of-the-art Elora Dairy Research Centre (Guelph) opened in 2015.

CANADIAN DAIRY FARMERS INVEST MILLIONS EVERY YEAR INTO RESEARCH AND INNOVATION

Canadian Dairy: A Leader in Research and Innovation

Supply management affords the Canadian dairy sector the stability and predictability it needs to make significant and continual investments into research and innovation. As a result, Canadian dairy farmers invest millions of dollars year after year into increasing efficiency, on-farm productivity, and identifying market opportunities. Dairy farmers also invest in numerous dairy nutrition and production research projects, and into on-farm sustainability programs like our *proAction*® initiative—which sets high standards for on-farm practices, including animal welfare and the environment.

Farmers and processors appreciate the stability and viability that supply management offers Canadian dairy—as well as the many opportunities for future innovation and growth. The Canadian dairy sector is growing, and we continue to implement strategies proactively and collectively to ensure that our sector will continue to thrive and drive growth in the future.

Key Research and Innovation Facts

Canadian dairy genetics are among the best in the world. **The total value** of Canadian dairy genetic exports, including **dairy cattle, embryos and semen** rose from

$68M 1988 ▸ **$140M** 2015

In Canada, ongoing significant investments into innovation have contributed to **milk yield increases per cow**

more than **130%** over the past **40 years**

This has outpaced

United States	United Kingdom	New Zealand
+116%	**+92.5%**	**+49%**

over that same timeframe

The Canadian milk production footprint for carbon, land and water **is among the lowest globally**

1.01 kg of CO_2e / **kg of milk**

20 L of water / **kg of milk**

1.7 m² of land / **kg of milk**

Carbon equivalent emissions from **dairy farms** were reduced by over **25%** between 1981 and 2006 as a result of **efficiency gains** made on farms.

This trend has continued to show a **steady decline** in **GHG emissions** from dairy farms of approximately **1%** per year

In 2012, Canada lowered the **somatic cell** count standard to **400,000** cells per **millilitre of milk**

Canadian milk is among the **highest quality milk in the world**

Dairy Farmers of Canada has been investing in **dairy research** for more than **25 years.** DFC's current **annual research** budget is **$1,960,000**

human nutrition research **$1,200,000**

milk production research **$760,000**

These amounts do not include the significant amounts of money invested by the provinces.

*all sources available upon request

National Dairy Ingredients Strategy

Over the past two years, as a part of our ongoing commitment to innovation and the future of our industry, the Canadian dairy sector, including producers and processors, have continued to work together on a national dairy ingredients strategy. The national dairy ingredients strategy is a Canadian domestic initiative that is part of an ongoing effort by the sector to continuously respond to a changing business environment. The strategy will help to innovate and streamline our supply chain process. With the national dairy ingredients strategy, the Canadian dairy industry is embracing modernization and innovation. The variety of dairy products and ingredients offered in the Canadian marketplace today is much more diverse than it was 20 or 30 years ago. We are working today to ensure we can continue to grow and offer more desirable products made in Canada for years to come. We have always adapted to changing markets, this is part of the normal evolution of our industry.

The Global Perspective

Currently, more than 90% of total world dairy production is meant for domestic consumption, while less than 10% is traded on the world market. Nevertheless, fluctuations in supply for dairy products can lead to overproduction, which can cause milk to be sold in the international market at dumping prices[1]. This has been exemplified recently during the current global dairy crisis, which has seen a significant drop in the world milk price, which, in turn, has led to a corresponding drop in the farm-gate price that dairy farmers across all jurisdictions receive for their milk. In fact, according to a 2015 study by the International Farm Comparison Network (IFCN), given a global average price that was, at the time, roughly US$29/100 kg of milk, less than 10% of the world's milk production could have been sold at a price covering the cost to produce that milk. If we apply the average world price of milk from November 2016 (US$34.80/100 kg of milk) to this calculation, only approximately 25% of world milk production could have been produced at a price covering the costs of production.

Between 2013 and 2015 **total Canadian milk production** grew by **+5%**

While the low farm-gate price has had an impact on dairy farmers in Canada, its effects have been particularly negative on farmers in deregulated jurisdictions that do not have the relative shelter provided by supply management such as the EU, Australia, New Zealand, and the United States.

Impacts of the Global Dairy Crisis

In the European Union, between September and June 2015, the European Commission bailed out the European dairy industry twice, for a combined total of €1 billion. Included in this package, in an attempt to slow the overproduction that is devastating the global dairy market, is €150 million to entice less efficient farmers to voluntarily reduce their milk production (in other words, a supply management measure!). All of this comes on top of an already generous Common Agricultural Policy that has provided more than €50 billion in support to the European agricultural sector.

The Australian dairy industry was deregulated in 2000, subjecting Australian dairy farmers to the mercy of international pricing. As a result, they receive a low price for their milk and are particularly vulnerable to decreases in global demand. In 2016, in response to the global crisis, Australia announced a $578.8 million support package for dairy farmers.

New Zealand's dairy sector has not been immune to the drop in global demand for dairy products either. During 2015-16, the average herd in New Zealand lost approximately $143,000 (US). This contributed to New Zealand dairy farmers suffering their worst financial losses since the 2002-03 season.

In the United States, since August 2016, the U.S. Department of Agriculture has pledged to buy up to $40 million in cheese to help cut down on a massive surplus and help to raise milk prices for struggling dairy producers. This comes in addition to the generous subsidies that U.S. dairy producers already receive.

Although the global dairy market is expected to turn around sometime in 2017, this recent crisis is a prime example of the fluctuation and volatility inherent in the global market—and the significant financial cost this situation has had on both taxpayers and farmers in international jurisdictions.

Meanwhile, in Canada, while the crisis has had an impact, it has not been close to the same extent as in countries without supply management—and unlike the European Union, Australia, and the U.S. **has not cost the Canadian government, or Canadian taxpayers, a cent in expensive bailout packages.**

[1] In international trade, ''dumping'' refers to the sale of a good at lower price internationally than the price at which it is sold within the country that it is produced.

Section 4 International Trade and the Canadian Dairy Industry

The Impact of International Trade Agreements on the Canadian Dairy Industry

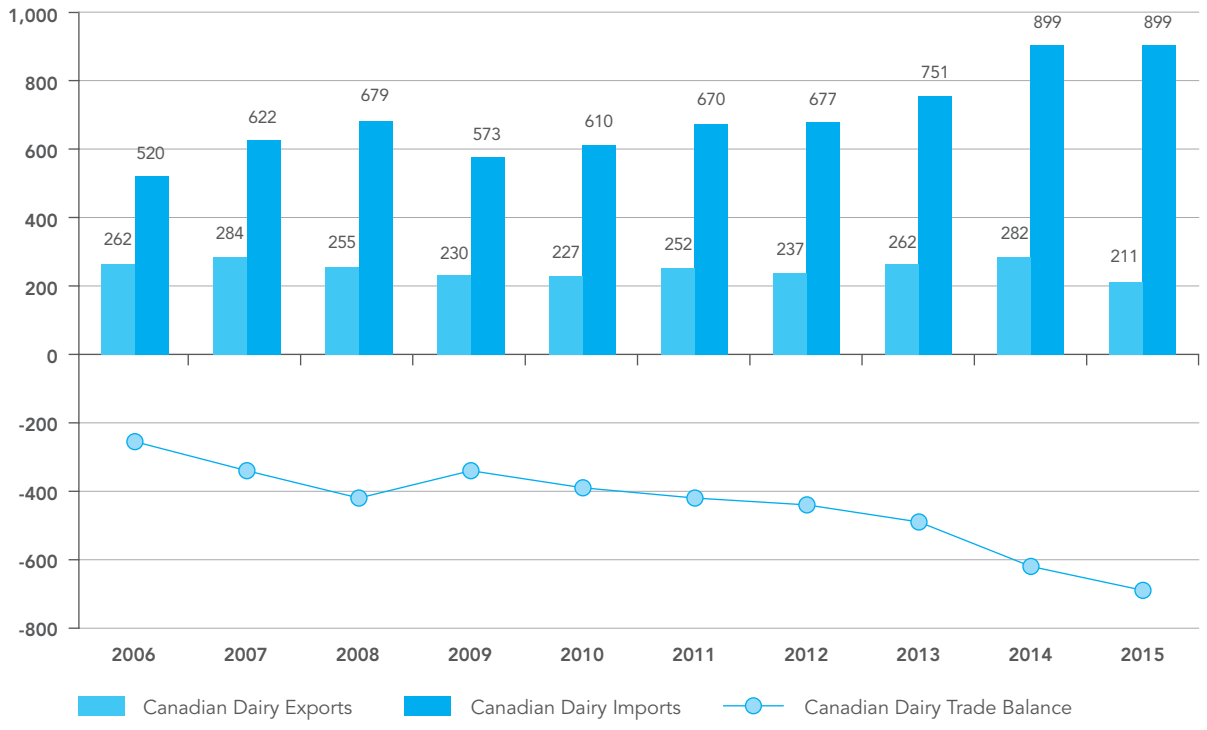
Dairy Farmers of Canada supports international trade agreements that benefit Canada and Canadians. However, DFC maintains that the dairy sector and its farmers should not have to bear the cost of trade concessions for gains in other Canadian sectors.

An estimated 8% to 10% (some estimates suggest it may even be as high as 15%) of the Canadian dairy market is already open to imports; this is more than many other countries in de-regulated jurisdictions. In 2015, Canada imported approximately $900 million in dairy products. In fact, each year, for the past decade, Canada has imported at least $500 million in dairy products. Any additional access granted to the Canadian dairy market in free trade deals simply adds to an already significant number.

The Canada-European Union Comprehensive Economic and Trade Agreement

On October 30th, 2016, the federal government and EU officials signed the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). Shortly after the signing, on November 10th, as part of a CETA transition assistance program, DFC was pleased to see the government announce a *Dairy Farm Investment Program* of $250 million over five years, as well as an additional $100 million in funding to help spur investment into updating Canada's dairy processing infrastructure. This is a step that will foster the continued growth of the sector, for the benefit of all Canadians; however, it only partially addresses the damage that will be done to the dairy sector by CETA.

CANADIAN DAIRY TRADE IMBALANCE, 2006—2015
(in millions of current dollars)



CETA will result in an expropriation of up to 2% of Canadian milk production; representing 17,700 tonnes of cheese that will no longer be produced in Canada. This is equivalent to the entire yearly production of the province of Nova Scotia, and will cost Canadian dairy farmers up to $116 million a year in perpetual lost revenues.

With this announcement, the government has taken a step in demonstrating their commitment to supply management, and to the continued innovation and growth of Canada's dairy sector; for that, DFC gives thanks. However, in order to ensure the continued sustainability and viability of supply management, there is still work to be done and the government has a significant role to play.

The Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) deal, signed on October 5th, 2015, now faces an uncertain future. In 2015, DFC estimated the sum of access granted to the dairy industry in order to secure the TPP deal for Canada would amount to as much as 4% of the Canadian dairy market, based on the 2016 milk production forecast by Agriculture and Agri-Food Canada. If ratified, the TPP agreement will result in perpetual lost revenues of as much as $246 million per year for Canada's dairy farmers.

During the U.S. election in November 2016, incoming President Donald Trump pledged to pull the United States out of the TPP deal[2]. It remains to be seen whether or not President Trump will act on this election promise, which would effectively cause the current deal to collapse. However, should President Trump revise his position, and the TPP deal be ratified as previously planned, it will be imperative that the current Government of Canada put together a transition assistance package for TPP to ensure that Canadian dairy farmers suffer no negative impacts as a result of the access granted in this deal.

The North American Free Trade Agreement

During the recent election in the United States, in addition to comments made regarding the TPP, President Trump also stated his desire to renegotiate the North American Free Trade Agreement (NAFTA). Should NAFTA be re-opened, Canada's dairy sector **must not** be on the negotiating table. Canada is an equal partner in NAFTA, and Canada's dairy farmers are counting on the government to ensure that our nation's food sovereignty and right to determine and administer our own domestic policies continues to be respected.

[2] On January 23rd, 2017, President Trump signed an executive order pulling the United States out of the TPP deal. DFC continues to monitor the situation in the U.S. as it evolves.

Section 5 Nutrition and Labelling

On October 24, 2016, the Minister of Health announced a multi-year *Healthy Eating Strategy*. This strategy outlines several planned initiatives, including: revising Canada's Food Guide; changes to the way food products are labelled; reducing the sodium, sugars, and *trans* fats in foods; and restricting marketing of unhealthy food and beverages to children.

DFC is supportive of the *Healthy Eating Strategy's* broad goals; however, we do have some concerns related to the important distinction that must be made between nutrient-rich and nutrient-poor foods when it comes to how the *Healthy Eating Strategy* is implemented.

DFC stands behind the quality of the milk our dairy farmers produce. For as long as there have been Canadian dairy farms, Canadian milk has been a trusted source of vitamins, minerals, and protein. Milk products have stood the test of time, and remain scientifically proven to be one of the truly nutritious and healthy foods in our diet.

Revising Canada's Food Guide

Health Canada has announced it will launch a revised Food Guide in 2019. The government has already concluded their first phase of public consultations, and more are expected. At the end of 2016, Health Canada also published a thorough review of the scientific evidence supporting the recommendations contained in the current version of the Guide. As noted in Health Canada's review, **the recommendations pertaining to Milk and Alternatives such as cheese and yogurt contained in the current version of the Guide remain firmly rooted in scientific evidence.**

Milk products contain up to 16 essential nutrients and may reduce the risk of certain diseases or conditions, such as obesity, type 2 diabetes, hypertension, osteoporosis and colorectal cancer. In Canada, two out of three adults do not consume the minimum number of servings of Milk and Alternatives recommended in the current version of the Guide. This problem is especially acute for individuals over 71 years old, with more than 80% not consuming their recommended daily serving. Furthermore, only 17% of girls aged 10 to 16 consume enough milk products.

DFC believes, and scientific research continues to support, that milk products are an easy-to-access source of valuable nutrients, including calcium, protein and others, that should continue to be recognized in Canada's Food Guide as an important part of a healthy diet.

MILK PRODUCTS CONTAIN UP TO 16 ESSENTIAL NUTRIENTS

DFC's Registered Dietitians

DFC is advised by a team of 31 registered dietitians with 322 years' combined expertise. Located across the country, team members are responsible for upholding and adhering to the ethical standards established by the regulatory body for the province within which they work. DFC's registered dietitians also belong to Dietitians of Canada, which provides education and training opportunities over-and-above the rigorous university education dietitians must undertake for accreditation.

Through education programs, and policy work in nutrition and public outreach, DFC's registered dietitians make positive contributions to Canadians' health. They are informed by, and report on, the latest findings in Canadian and international research on dairy products and their impact on nutrition, food science and health. DFC also invests in scientific research conducted by independent scholars, namely under the research clusters, which is also federally funded, as well as in collaboration with the Natural Sciences and Engineering Research Council of Canada (NSERC).

DFC dietitians also develop information materials to support other health care professionals in their work with Canadians. In addition, they provide hands-on opportunities that literally bring research findings to life. Most Canadian health care professionals and nutrition students are urban based, and have not had the opportunity to visit or learn about a modern dairy farm. This can create misperceptions and lead to antiquated notions of what the modern Canadian dairy farm is all about, and how it operates. This is why last year, DFC arranged for a series of field trips for health care professionals and nutrition students to visit a dairy farm and see, first-hand, what goes in to producing Canadian milk. These trips provided participants with a rare opportunity to see for themselves where healthy nutrition begins.

DFC is proud of our team of registered dietitians for their dedication to and work in advancing health awareness in communities across Canada.

DFC'S TEAM OF 31 REGISTERED DIETITIANS WITH 322 YEARS' COMBINED EXPERTISE

Labelling of Foods

Health Canada will be introducing new "front-of-package" labelling for food products that are high in sodium, sugars, and saturated fat. While we acknowledge the need for Canadians to reduce their consumption of these ingredients, DFC is concerned that this could have unintended consequences that would be detrimental to health overall.

For example, new labels on some nutrient-rich foods like cheese and flavoured yogurt that include warning labels could discourage their consumption altogether, despite their scientifically proven nutritional benefits. In contrast, things like potato chips and diet soda would not have "warning" labels and could therefore be perceived as more "healthy" than nutrient-rich foods. DFC's registered dietitians are concerned the proposed approach to labelling is too simplistic, and could have unintended adverse impacts on nutrition in general and, in particular, worsen the under-consumption of milk products.

DFC encourages the government to consider the important distinction between nutrient-rich foods and nutrient-poor foods when making their final determination on this policy. DFC has made a submission on front-of-package labelling which we are eager to share with MPs and staff on this subject. Please contact us directly for a copy of the submission.

Sodium

As a part of the federal government's challenge to industry to reduce the sodium content of processed foods, the proposed front-of-pack labelling will highlight foods that are "high in sodium" with a warning label, which may negatively impact the consumption of otherwise nutrient-rich foods like cheese.

The dairy industry acknowledges the need for individuals to reduce their sodium intake, and many food manufacturers have already reduced the sodium used in their foods in response. It is important to remember, however, that salt (sodium chloride) is a key ingredient in the safety of several foods, including cheese, and reducing salt in these foods may raise unintended technological challenges, and food safety issues.

Salt is used in the cheese making process to serve many functional properties: enzymatic and microbial control; humidity control; texture; and to ensure food safety. 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.** Furthermore, despite its sodium content, **several studies have consistently shown that cheese does not have an adverse impact on blood pressure**. Nonetheless, under the proposed changes to front-of-pack labelling, the label of most cheeses, for example, could carry a "warning" about sodium content, which could discourage people from consuming cheese without consideration for the overall nutritional value it provides.

DON'T CONFUSE NUTRIENT-RICH FOODS WITH NUTRIENT-POOR FOODS

Sugar

The proposed front-of-pack labelling will highlight foods that are "high in sugar" with a warning label, which may negatively impact the consumption of otherwise nutrient-rich foods such as flavoured yogurts and flavoured milk.

DFC believes it is important that nutrition information on food labels pertaining to sugar and/or added sugars focus on foods of poor nutritional value such as sugar-sweetened beverages (i.e. soft drinks, fruit punch, iced teas and energy drinks), candies and desserts. Foods with higher nutritional value such as milk products, whole grain cereals and fruits —even the sweetened varieties—should not be lumped in with foods of poor nutritional value.

Confusing nutrient-rich foods containing sugar with nutrient-poor foods could adversely impact public health if Canadians begin to limit their consumption of milk products, fruits and vegetables. In contrast with nutrient-poor foods, milk products, fruits, and vegetables are nutritious, and play an important role in providing nutrients that are important to our health. **Furthermore, according to scientific research, sweetened milk products such as flavoured milk and yogurt have not been associated with adverse impacts on health.**

Saturated Fats

The proposed front-of-pack labelling will highlight foods that are "high in saturated fats" with a warning label. Saturated fats are mainly found in meats, dairy products and some plants like coconut or palm and in processed foods that include those ingredients. If the front-of-pack proposal discourages consumption of healthy nutrient-rich milk products, such as cheese and whole milk, it could lead to reduced intake of high quality protein, and other nutrients, such as calcium, potassium, Vitamin D and B, in turn leading to increased health risks. **Yet, studies have demonstrated that milk products, even those containing higher levels of saturated fat, are not detrimental to health, and have in fact been associated with benefits related to cardiovascular health.**

Furthermore, the labelling of whole milk as a harmful food is not consistent with other initiatives from Health Canada. In fact, **according to a joint statement from Health Canada, the Canadian Pediatric Society, Dietitians of Canada and the Breastfeeding Committee for Canada, children under the age of two should drink whole milk, as the fat it contains is essential for their brain development and growth**. If the proposed front-of-pack labels go ahead as planned, parents of young children could become confused and unduly concerned with a negative warning label on whole milk.

Trans Fats

Since 2006, Health Canada has encouraged the food industry to reduce or eliminate *trans* fats from the food supply. This positive approach has worked: According to Health Canada, since 2009, *trans* fat intakes amongst Canadians have declined by 60%. Recently, a regulation was proposed that would ban the use of partially hydrogenated oils, which would translate as a ban of industrial *trans* fats.

Once industrial *trans* fats are no longer present in the food supply, only naturally-occurring *trans* fats, which are present in small amounts in ruminant milk and meat, will remain. **Unlike industrial *trans* fats, these natural *trans* fats have not been associated with health issues.** Therefore, once industrial *trans* fats have been eliminated from the food supply, it will no longer be relevant to continue to request the identification of natural *trans* fats on the Nutrient Facts Table present on food labels; at this time, labelling of *trans* fats should no longer be mandated.

Canadian consumption of ***trans* fat** has fallen

↓60%

SINCE 2009

Quantitative Unit Identification (QUID)

Consumers care about what goes in to the food they eat. Although food labels include a lot of information, it is not always clear or easy to find and read. The list of ingredients on a product label currently states what the ingredients are, in order of importance, but does not list the ingredient proportions. This makes it difficult for consumers to compare products, and assess which one best meets their nutritional needs, or expectations for quality. The proposal to group all sugars together is a step in this direction.

The Quantitative Unit Identification (QUID) system for food labels, which identifies the percentage of each ingredient that a food contains, is also a good labelling method to help consumers identify the source or "flavour" of a food—for example a "maple-flavoured" product or "butter-flavoured" popcorn. This system would allow consumers to compare products to know how much maple or butter is used, judge the quality of their ingredients, and avoid deceptive claims on food labels. A form of QUID is being considered by the federal government and it is already being used in other jurisdictions, including the European Union.

DFC SUPPORTS THE INCLUSION OF QUID ON ALL FOOD LABELS.

New Regulations on Nutrition Facts Table

On December 14, 2016, final amendments to the *Food and Drug Regulations*—Nutrition Labelling, Other Labelling Provisions and Food Colours were published in *Canada Gazette, Part II*. Certain changes that will be implemented will create confusion and will need to be addressed further:

- The use of a Daily Value (DV) for sugars based on 100 g of sugars, without differentiating between naturally occurring sugar versus added sugar, will mislead consumers into thinking that healthy foods containing natural sugars (such as milk products and fruit) are high in sugar and should be avoided. Monitoring of such information on the label and its impact on nutritious food intake will need to be put in place. Education efforts are also essential to alleviate potential unintended consequences.

- With the revision of nutrition labelling, micronutrients such as calcium and iron have seen their DV significantly increased. This will reduce the ability to use an "excellent source" claim, even for a particular food that contributes a significant amount. Health Canada identified these two micronutrients as a public health concern because of their inadequate intakes by Canadians. **The conditions for making "excellent source" claims should be revised for calcium, in the context of a higher DV to support consumer education on key sources of nutrients.** This would help consumers make healthier food choices and reduce confusing information on food labels.

Other Nutrition Issues

Taxation of Sugar-Sweetened Beverages

Although not referenced in the Minister of Health, or Minister of Finance's mandate letters, some stakeholder organizations have called upon the government to implement a tax on sugar-sweetened beverages (SSBs) as a means to decrease sugar and caloric intake, which could arguably lead to a decrease in obesity levels. This case was also made in March 2016 in a report on obesity by the Senate Committee on Social Affairs, Science and Technology.

While DFC supports the Government of Canada's efforts to reduce obesity, the effectiveness of such taxes at achieving this goal is questionable, at best. **If such a tax is implemented, DFC asks that sweetened beverages that are otherwise high in nutrients, such as chocolate milk, flavoured kefir or yogurt-to-drink, be exempt.** Milk products have inherent nutritional value that nutrient-poor products such as soft drinks, fruit punch, iced teas and energy drinks do not. Furthermore, their intake has never been associated with a negative impact on weight. In addition, **chocolate milk is already sold at a higher price than other plain milk**—it does not require a tax on top to differentiate it. A tax that includes sweetened nutritious beverages, such as chocolate milk, flavoured kefir or yogurt-to-drink would only worsen the under-consumption of nutrient-rich milk products.

Marketing to Children

In accordance with the Minister of Health's mandate letter, Health Canada has announced it will introduce new restrictions on the commercial marketing of unhealthy food and beverages to children. In the mandate letter, it is referenced that these restrictions are expected be similar to the 1978 *Quebec Consumer Protection* Act, which DFC already complies with in all its outreach, marketing and education initiatives. If restrictions are introduced, DFC encourages the government to adopt a national policy that mirrors the Quebec legislation. While DFC sees the value in restricting marketing to children, it will be important for the government to ensure that the proposed legislation includes an exemption, **such as the one in the Quebec legislation**, that will make it such that it does not impede the ability of stakeholders to conduct educational programs on healthy eating nor sponsor things like youth athletic programs or sports. Such sponsorships encourage physical activity and give many children the opportunity to pursue athletics, and should not be considered in the same way as advertising.

Vitamin D Fortification

The mandatory fortification of milk with Vitamin D has been a long-standing and important public health strategy to reduce the prevalence of Vitamin D deficiency in the Canadian population. A lack of Vitamin D can lead to rickets and lower bone health. The most recent Dietary Reference Intake (DRI) recommends that the Daily Value of Vitamin D increase from 200 International Unit (IU) to 800 IU. To ensure that Canadians can meet this new recommendation, Health Canada is looking at ways to increase Vitamin D in the food supply. As a first step, they are looking at increasing the mandatory level in milk to 5 micrograms (μg) per reference amount of 250 mL (from 2.3 μg, currently).

It is important to adjust the Vitamin D fortification of milk to the revised Daily Value so Canadians can continue to depend on the milk they consume to provide their Vitamin D needs. Moreover, over the past 20 years, the consumption rate of milk products has changed—the consumption of fluid milk has declined, while cheese and yogurt have increased; both cheese and yogurt would be excellent vehicles to provide more Vitamin D to Canadians.

DFC supports the suggested increase of mandatory Vitamin D fortification in milk to the new DV of 800 IU so that Canadians can continue to depend on milk for their Vitamin D needs. DFC also supports extending Vitamin D fortification to yogurt and cheese on a voluntary basis. This would be consistent with Canada's Food Guide recommendations for Milk and Alternatives.

MARKETING RESTRICTIONS SHOULD NOT IMPACT EDUCATIONAL PROGRAMS OR AMATEUR SPORT SPONSORSHIPS

Section 6 *The proAction* Initiative

Long before they became part of the collective consciousness, environmental protection and animal welfare were intrinsic to Canadian dairy farmers' values. Dairy farmers are committed stewards of the land because their farms, families, and livelihoods, depend on healthy livestock and sustainable agricultural practices. It's not just a matter of practicality, it's a matter of pride.

Sustainability has never been more important to Canadians, which is why DFC has set up the *proAction* initiative. The *proAction* initiative aims to provide an efficient and co-ordinated national framework for dairy farmers to continue their business leadership in producing some of the safest, highest quality milk on the planet. Under *proAction*, Canadian dairy farmers take the initiative to set, adhere to, and constantly improve what are already among the world's best practices for on-farm sustainability. DFC and its membership ensure that this program is constantly evolving to meet industry best practices. Although *proAction* can admittedly add considerably to a farmer's paperwork, Canadian dairy farmers understand the importance of going the extra mile to ensure customer confidence.

The *proAction* initiative, composed of six modules, began with the launch of the Canadian Quality Milk (CQM) program in 1997, and will be completed in 2023 when 100% of Canadian dairy farms are expected to have obtained certification for all modules. The six modules will set national standards for milk quality, food safety, animal care, livestock traceability, biosecurity and the environment. The modules are as follows:

1. **Milk Quality:** Canadian dairy farmers strictly adhere to regulated milk quality criteria every day to assess farm milk quality. To maintain our good reputation, it is important for Canadian milk quality standards to continue to remain high.

2. **Food Safety:** The Canadian Quality Milk program is designed to help prevent, monitor and reduce food safety risks on farms such as milk contamination. Under CQM, farmers provide proof regularly to on-farm validators that they continue to meet program requirements.

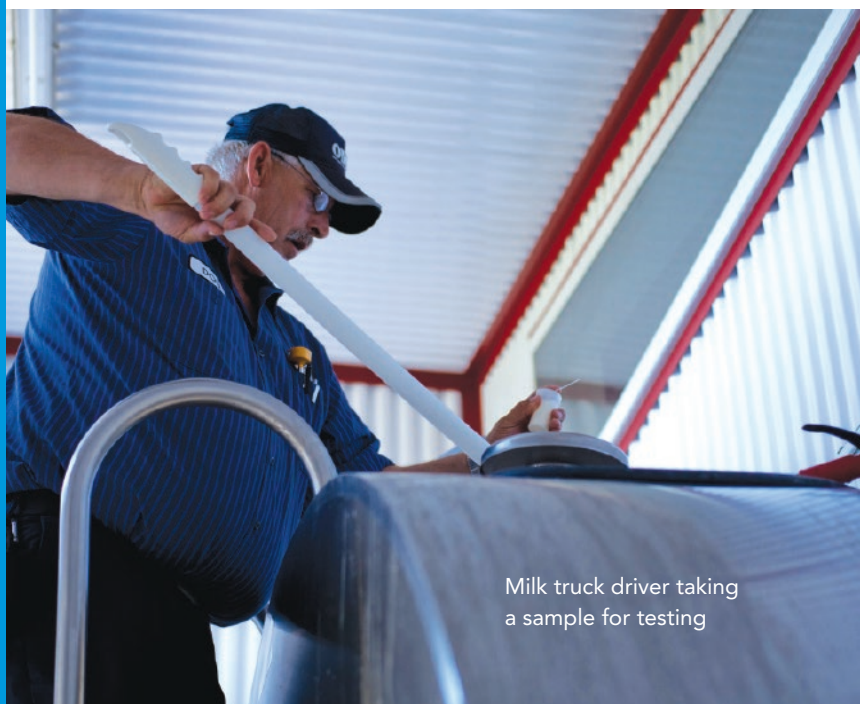
3. **Animal Care:** Treating our animals well, and providing excellent care is one of the highest priorities of the Canadian dairy industry. To measure this, the animal care module includes an assessment program based on the requirements outlined in the *Code of Practice for the Care and Handling of Dairy Cattle*. The program was successfully tested on farms in both 2013 and in 2014, with assessment starting on farms in 2016. By September 2017, farmers will maintain records and protocols, and validations will begin.

proAction
INITIATIVE[3]

6 MODULES

The six modules will set national standards for **milk quality, food safety, animal care, livestock traceability, biosecurity and the environment.**

[3] A video explaining *proAction, Our Sustainability Story,* is available on DFC's YouTube channel. https://www.youtube.com/watch?v=70Q2-SN-t4U



Milk truck driver taking a sample for testing

4. **Livestock Traceability:** Currently, milk is traceable from farm to plate across Canada. All cattle have been systematically tagged on the ear since federal regulations came into force in 2001. Federal regulation is expected in 2017 that will enable us to trace our animals and their whereabouts, which is key to maintaining consumer confidence in our industry.

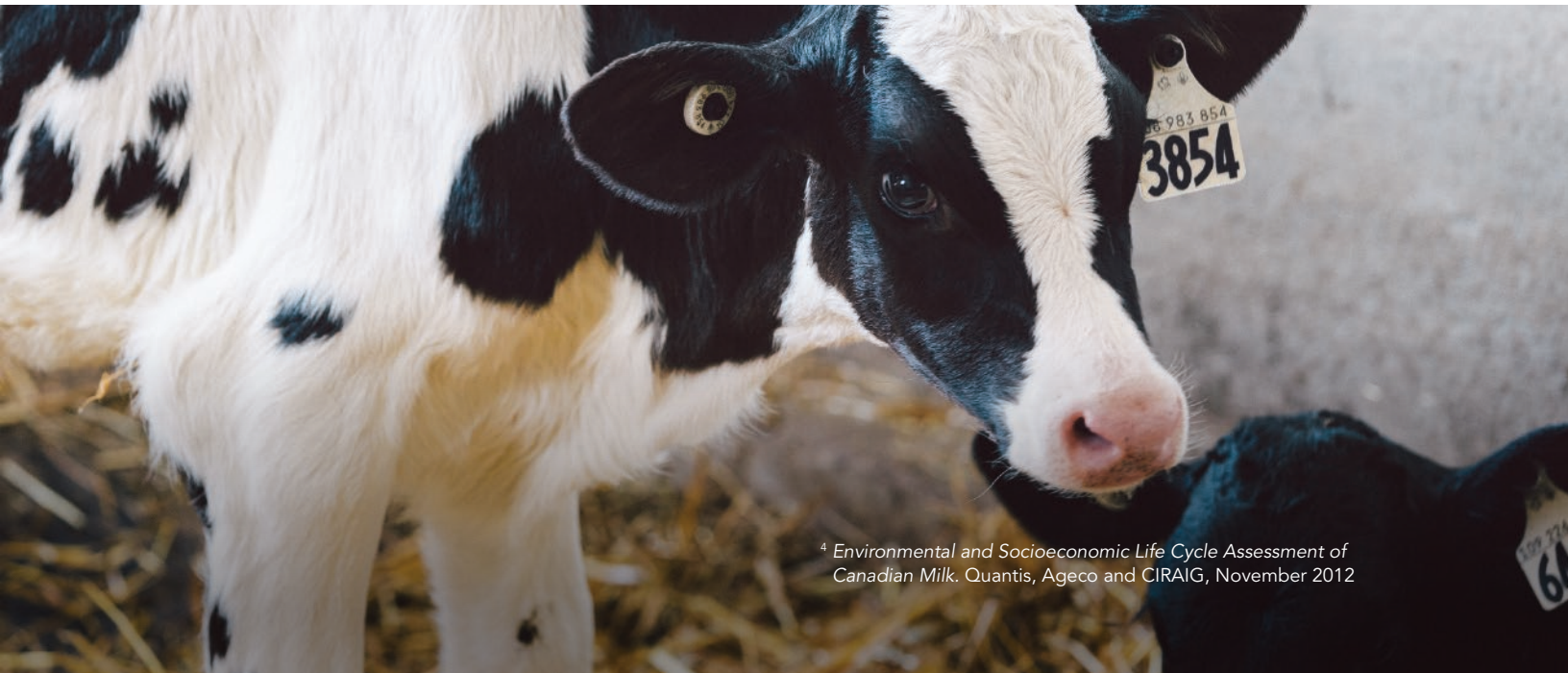
5. **Biosecurity:** DFC worked with the Canadian Food Inspection Agency (CFIA) to develop the *National Standard—Biosecurity for Canadian Dairy Farms*, published in 2013. The key to biosecurity is prevention, but if an animal disease is found on farm, farmers will work closely with veterinarians to control it and mitigate risks so it does not leave the farm.

6. **Environment:** The dairy industry strives to improve efficiencies, and embrace innovation to reduce its environmental impact. Investments are made to reduce energy use, to improve nutrient, land, and water management, to adapt to climate variability, to enhance biodiversity, to increase resilience, and to reduce waste. The environment module of *proAction* will capitalize on existing provincial Environmental Farm Plans.

Creating a framework for action and innovation in all those areas, the *proAction* initiative will enable farmers to collectively demonstrate responsible stewardship of their animals and the environment in sustainably producing high-quality, safe and nutritious food for their consumers. Implementation of the *proAction* initiative is an ongoing process, and the different programs are all currently at different stages of development. However, we are proud to report the success we have had so far in implementing the *proAction* initiative. Right now, in Canada:

- 95% of all dairy farms have been inspected in the past two years.
- 100% of all on-farm milk tanks and milk trucks are sampled for milk quality.
- 99.5% of farms are currently registered on the food safety program.
- All milk is sampled at the farm to allow the industry to trace back any potential issue that may arise after milk leaves the farm.
- Approximately 70% of dairy farms have an environmental farm plan, with an action plan developed to improve specific environmental conditions on the farm.
- The production of 1 kg of Canadian milk takes only 20 litres of water, and results in only 1 kg of carbon dioxide emitted; this is comparable to or less than the water and carbon footprints of milk produced in other milk-producing countries, according to the Life Cycle Analysis conducted in 2011[4].

Supply management gives Canadian dairy farmers the relative stability and long-term market predictability they need to focus on, and invest in, sustainability initiatives like *proAction*. Sustainability, and the constant improvement of on-farm best practices is important not only to Canadian dairy farmers, but to all Canadians. Without supply management, the significant and ongoing investments and commitment required to achieve the sustainability goals set by *proAction* might not be possible.



[4] *Environmental and Socioeconomic Life Cycle Assessment of Canadian Milk.* Quantis, Ageco and CIRAIG, November 2012

Conclusion

As an elected official, the Canadian electorate and government stakeholders look to you for guidance and assistance in both championing and crafting policies with the potential to make a huge positive impact on our lives. In reading this information booklet, we hope that you have come away with a better understanding of Canada's dairy sector—our history, our challenges, and the things that make us a unique and dynamic part of Canada's economy and rural fabric. During this, Canada's 150th year, we look forward to collaborating and working closely with you to ensure a stable and thriving supply managed Canadian dairy industry for generations to come.

We look forward to meeting with you and your staff, and discussing these issues in greater detail.

Please don't hesitate to contact us directly if you have any questions or comments to share.

Respectfully,

Dairy Farmers of Canada

Appendix

Appendix A Environics Survey Results—Your Opinion Matters to Us!

In 2015, DFC conducted a survey to measure the opinions of Canadians on our industry and the many issues it faces. The survey was conducted by Environics, by phone, on a sample of 1,707 Canadians. The results were statistically weighted to ensure the age and gender composition of the sample reflected that of the population according to the 2011 Census. The margin of error is plus or minus 2.4 percentage points (at the 95% confidence level).

We are proud to report that a very large majority of Canadians support our industry, recognize the quality of our products and our impact on communities, and the need to have fresh Canadian milk available on the market.

SURVEY RESULTS:

Overall Impressions of the Canadian Dairy Industry

85% Of Canadians believe that it is **important for government to protect** our dairy industry in all free trade agreements

90% Of Canadians believe that buying Canadian milk has **a positive effect on the whole community**, not just farmers

86% Of Canadians believe that Canada's milk industry is **stable and reliable**

Importance of Canadian Milk for Canadian Consumers

91% Of Canadians say it is important that the milk they use is **produced in Canada**

70% Of Canadians say they would prefer slightly more expensive **Canadian milk** to cheaper foreign milk products

Appendix B Dairy Sector FAQs

Q Is supply management a barrier to international trade?

A No. All countries have sensitive sectors they wish to protect. The United States, for example, has a long history of restrictive import protection in the sugar and dairy industries; Japan has a long history of protecting its rice sector; and New Zealand has always vigorously defended its pharmaceutical program. Furthermore, supply management has never prevented Canada from concluding international trade deals. Since 1994, Canada has negotiated 13 trade agreements with 53 countries while maintaining supply management[5].

Q Is the retail price of milk in Canada always higher than it is elsewhere?

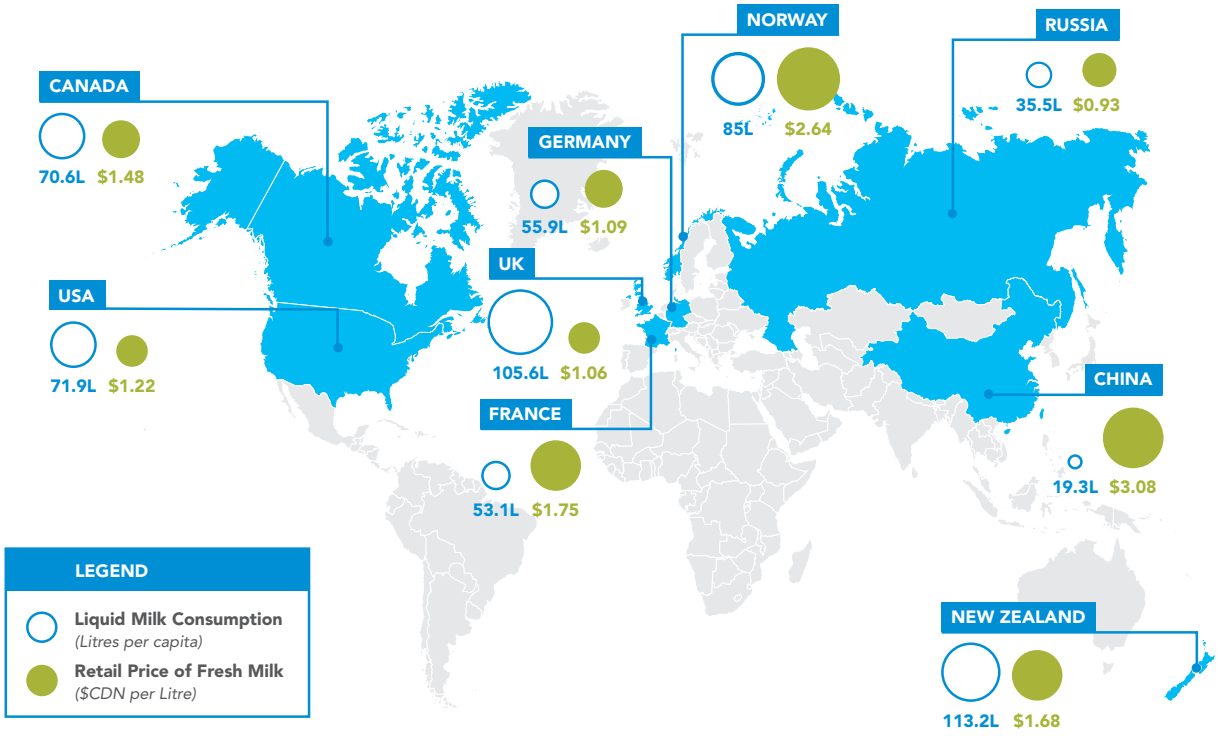
A No. Contrary to what some might argue, in Canada, retail prices for milk are in line with those in other jurisdictions. In fact, a Nielsen study conducted in 2016 showed that consumers paid an average of $1.48/litre for fresh milk in Canada, as compared with $1.68 in New Zealand, $1.75 in France, $1.22 in the U.S., $1.09 in Germany, and $3.08 in China. **More importantly, countries without supply management typically heavily subsidize their dairy industries; this comes straight out of the pockets of taxpayers, and essentially forces taxpayers from those countries to pay twice for their milk.**

It is critical to keep in mind that the price of milk in Canada is a reflection of the price that consumers are willing to pay. In the value chain for dairy, farmers are at the beginning, processors are in the middle, and retailers are at the end. Retailers have always set the retail price of milk. **The truth is, there is no direct link between the price a farmer receives, and the retail price.** As an example, in 2015, although the price that Canadian dairy farmers received for their milk went down significantly, the retail prices for dairy products went up by 1%.

Furthermore, in countries where milk production isn't regulated (i.e. supply management doesn't exist), such as New Zealand, the United Kingdom and Australia, there has been a notable discrepancy between farm gate prices and retail prices. In many cases, prices have actually gone up for consumers, while revenue for farmers has gone down.

Q Should Canada's dairy sector be seeking a greater role in the export market?

A DFC believes that Canada has a role to play in the global niche export market; however, the truth is, dairy is not a major export commodity. **Less than 10% of all global milk production is exported**, and the global export market already contains established big players such as the U.S., New Zealand and EU countries who are at a competitive advantage due to lower costs of



production and, in many cases, the generous government subsidies they receive. This creates an un-level playing field in the export market, not economic opportunity.

Furthermore, it is widely known that export markets can often be volatile. Currently, the global dairy market is experiencing very low prices due to surpluses in production. This has led to what some have termed the "global dairy crisis", and has impacted dairy markets all over the world. The current global dairy crisis is a prime example of what can happen when markets go bad, and is exactly why Canada's dairy farmers prefer the relative stability of supply management. Like any business owner, dairy farmers make their business decisions on opportunities that make commercial sense.

Q Is it possible for newcomers to enter the market under the current system?

A Yes. The relative security afforded by the supply management system provides young farmers with an incentive to enter the dairy industry. Every province in Canada has a new entrant program to encourage new farmers to enter into the industry—and a number have made improvements to their programs, based on feedback from participants. Right now, new entrant programs either loan or allocate quota to new farmers. New farmers also benefit from mentoring opportunities. More young farmers are entering into the dairy industry because of the predictability and stability offered by supply management, not in spite of it.

Q Does supply management undermine innovation and investment?

A No. **Supply management provides the stability farmers need to be able to continually and confidently invest in their farms.** In addition, supply management allows the Canadian dairy sector to invest millions of dollars each year into research and development. As a sector, and as individual farmers, it is in Canada's best interest to stay on the cutting edge of innovation. For example, the Canadian dairy sector is known as world-leader in dairy genetics, and dairy genetic material trades. In addition, the average yield per dairy cow in Canada increased by 5% from 2014-2015, and has increased by a total of 145% since the introduction of supply management in 1973! Furthermore, DFC has been investing in dairy research for more than 25 years, with an annual research budget of $1,960,000. This includes $1,200,000 per year for human nutrition research, and $760,000 for milk production research. The improvements in yield per cow, and our significant and ongoing investments into research and innovation are a testament to the dairy sector's commitment to continually improving the efficiency and sustainability of our farms, and the growth of the industry.

Q Are all Canadian dairy farmers rich?

A No. A modern dairy farm is a complex operation which requires significant and ongoing farmer investment to maintain. Due to the significant amount of investment for equipment, real estate, labour, and quota that is required, it could be argued that many dairy farmers, similar to other business owners, are **asset** rich. However, for a dairy farmer, these assets represent significant sunken costs that are simply a part of the requirements of doing business—they do not equate to liquid cash, and should not be considered in the same way as an annual salary. In order to realize the full cash-value of their assets, farmers would need to sell their farms and get out of the business altogether!

Q Does Canadian milk contain growth hormones such as rBST?

A No. Unlike other jurisdictions such as the U.S. the growth hormone, Recombinant Bovine Somatotropin (rBST), is illegal in Canada due to concerns about its impact on the health of animals. Canadian dairy farmers care deeply about the health of our animals. All milk produced in Canada is rBST-free.

Q Does milk contain GMO's?

A No. Canadian cows can and do eat a mix and variety of plants; some of which may be genetically modified, some not. However, the most important fact to keep in mind is that **eating genetically modified food does not change an animal's (or a person's) genetics**; if a cow were fed chocolate, she would not produce chocolate milk. Similarly, **while a cow may consume genetically modified feed, the milk she produces is not genetically engineered. The Canadian Food Inspection Agency, the Canadian General Standards Board, and the Food and Drug Administration in the United States all recognize this from both scientific and legal perspectives.** This being said, the Canadian dairy sector continues to respect consumer choices: any brand of organic milk comes from cows that do not eat genetically modified crops.

[5] Including CETA and TPP

Appendix C Imports Management and Domestic Regulations

Canada's supply managed system is based on three equally important pillars: producer pricing, production planning, and imports management. We appreciate the ongoing support that all political parties have shown supply management; in order for supply management to continue to thrive long into the future, each of these pillars must be nurtured and protected. In this endeavor, **the government has a critical role to play, particularly in terms of imports management**. The government must enforce Canada's domestic regulations, so that producers can properly plan their production. In tandem with this, the government must ensure Canada's border measures are working predictably and efficiently, so that the third pillar of supply management, imports management, is maintained.

The government has a critical role to play, particularly in terms of **imports management**

Diafiltered Milk

Diafiltration is an additional step in the process to concentrate protein that **can** occur after ultrafiltration, in order to achieve a higher protein concentration. For many milk protein concentrates, the process begins and ends with ultrafiltration—without the addition of any diluent. Due to the fact that the milk protein concentrate is so thick after undergoing ultrafiltration, it has to be diluted prior to entering into a second phase of filtration

in order to achieve a further level of protein concentration. This second filtration after the retentate of the ultrafiltration has been diluted is known as diafiltration.

Diafiltered milk is imported as an "ingredient", allowing it to enter into Canada tariff free. Under the cheese compositional standards for Canada, it is required that a minimum percentage of the protein used in cheese making be sourced from milk. Some processors have taken to using milk protein substances as part of their required minimum percentage of "milk" when making cheese, instead of using it as a part of their allowable percentage of "ingredients".

Diafiltered milk cannot be an "ingredient" when it crosses the border, and "milk" when it comes to making cheese. The government must act urgently to enforce the existing compositional standards for cheese.

This is a domestic issue, and impacts Canada's sovereign right to enforce our own food policy and regulations. The government must enforce the Canadian Compositional Standards for Cheese to ensure that the required compositional percentage of milk and ingredients in cheese are respected.

Misuse of the Duties Relief Program

Some importers have used the Duties Relief Program to import dairy products (and other foods) and defer their duty payments for up to four years before they re-export.

The Duties Relief Program was clearly not designed for food—which in most cases is perishable (before four years).

Supply managed products have their own specific program called IREP (Import for Re-Export).

On November 18th, 2016, the Government of Canada announced their intention to hold program consultations with industry stakeholders regarding potential changes to the Duties Relief Program and the Import for Re-Export Program. DFC will be seeking that the government exclude supply managed products from the Duty Deferral program because the IREP program already exists for supply managed goods (dairy and poultry) when importing products for the purpose of re-exporting valued added food products.

CBSA Advance Rulings

The Canadian Border Services Agency (CBSA) publishes advance rulings to help the importing community determine the proper tariff classification of goods. The purpose of the advance ruling is to ensure that the tariff classification number being used by an importer is deemed correct by the CBSA. The advance ruling provides certainty to the importer as to how goods are to be classified, and thereby facilitates the documentation requirements for clearing goods at the border.

Unfortunately, there is currently no formal process to know whether a ruling has been issued, to appeal a ruling, or even to find out whether the CBSA is investigating a complaint about a ruling. This compromises the third pillar of supply management, import control, which in turn compromises the ability of Canada's dairy farmers to properly plan their production.

When CBSA issues advanced rulings to potential importers regarding tariff classification, it should be done through a transparent process so that stakeholders are aware, and can offer input and respond when appropriate. The government must commit to making advance rulings for import classification transparent, and work with Canada's dairy industry to address tariff circumvention issues.

Appendix D National Dairy Research Strategy—Investing in our Dairy Future

Guiding Principles

The process to develop and implement the National Strategy for Dairy Research and Knowledge Transfer will be guided by the following principles:

- Transparency
- Inclusiveness
- Integrity
- Founded on a rigorous and credible scientific process
- Social responsibility

Context

Dairy Farmers of Canada (DFC) believes its strong history of research investments:

- enhances farm programs, operations and product value;
- drives dairy sector innovation and profitability;
- supports continuous improvement in the sustainable production of quality, nutritious dairy products; and,
- increases the understanding of the role of dairy products in health.

Dairy Farm Efficiency and Sustainability

Targeted Outcomes

- **New technologies and practices have been developed to optimize farm productivity and the longevity of dairy cows.**
- **Best management practices have been developed to minimize the environmental impact of milk production and enable adaptation to climate change.**
- **Best farm management practices have been developed to support on-farm programs (i.e. *proAction*).**

Investment Priorities

- Dairy cattle genetic improvement (fertility, productivity, feed efficiency)
- Dairy cow reproduction (including alternative tools and practices to reproductive hormones use)
- Dairy cattle nutrition
- Forage breeding and management for improved yield, resistance, conservation, quality and digestibility
- Reduced environmental footprint including GHG (enteric methane), energy and water

Animal Health and Welfare

Targeted Outcomes

- **Best management practices and tools have been developed to reduce on-farm economic losses from production limiting diseases with zoonotic potential.**
- **Best management practices have been identified to improve the health and welfare of cows, optimize productivity and longevity.**
- **Simple and effective welfare measurements have been developed and used to assess the impact of the evolving milk production environment on cows.**

Investment Priorities

- Strategies to mitigate targeted infectious diseases: mastitis, paratuberculosis, salmonellosis, leucosis, bovine viral diarrhea
- Dairy cows' genetic improvement (disease resistance)
- Lameness prevention, management and treatment
- Dairy cow transition period related health and welfare issues
- Pain mitigation and euthanasia BMPs and science-based decision making tools
- Sustainable barn design for conventional and alternative dairy cattle housing systems
- Barriers to adoption of BMPs
- Social aspects of dairy cattle health and welfare (such as consumers' perception)

Communications and Knowledge Transfer

Recognizing that communicating our research investment success stories and mobilizing and transferring results is a critical part of the research continuum for sector growth, DFC commits to developing a communications and knowledge transfer framework that will aim to:

DFC recognizes the need to strengthen partnerships with its member organizations, governments and stakeholders to build research capacity together for future sector growth.

DFC aims to maximize farmers' investments at the national and provincial levels through a coordinated and collaborative approach to research in dairy production and nutrition.

Targeted Outcome

COORDINATION, COLLABORATION AND COMMUNICATION

A collaborative framework has been developed to coordinate national investments in dairy research and leverage partnerships at all levels (provincial/national) to maximize research results and investments for farmer investors.

Investment Priorities

- Create a DFC Board committee responsible for the ongoing review and evaluation of dairy farmer needs, priorities and investments in dairy production and human nutrition and health research.
- Exchange information and deliver new knowledge on pan-Canadian research results to dairy farmers.
- Prepare and implement a communications plan to report on research investments that contribute to the sector's improvement and growth, and add value to Canadian-made dairy products.

Milk Composition, Quality and Safety

Targeted Outcomes

- **Methods have been identified to naturally modulate the composition of milk and improve its quality and value, potentially enabling new dairy product development.**
- **Strategies have been developed to sustainably reduce the use of antimicrobials while maintaining farm biosecurity, dairy cattle health and welfare.**

Investment Priorities

- Microbiology – better understanding of the impact of microbes on milk and dairy products composition and quality
- Assessment of antimicrobials use in Canadian dairy herds
- Development of alternative tools and practices to antimicrobials use and management

Milk Products and their Components in Human Nutrition and Health

Targeted Outcomes

- **Further support has been provided to clarify the role of milk products, particularly full-fat, in cardiometabolic health and healthy aging.**
- **Further data has been provided on the role of sugar-sweetened milk and yogurt on diet quality and health outcomes.**
- **The role of milk products has been strengthened in musculoskeletal health, including the prevention of osteoporosis and osteoporosis related fractures.**
- **The value of dairy products in a healthy, sustainable diet (including plant-based diets) has been investigated.**

Investment Priorities

- Dairy products, especially full-fat and specific dairy food matrices (milk, yogurt and cheese), on cardiometabolic health and healthy aging including:
  - Prevention of type 2 diabetes, metabolic syndrome, hypertension, cardiovascular disease
  - Weight and body composition, satiety
  - Risk factors: blood lipids, blood pressure, glycemic control, inflammatory markers
  - Age-related chronic diseases
- Role of sugar-sweetened milk and yogurt on diet quality and cardiometabolic health including:
  - Nutrient adequacy
  - Weight and body composition
  - Type 2 diabetes, metabolic syndrome, cardiovascular disease
- Role of dairy products, particularly milk, in musculoskeletal health including:
  - Muscle and bone quality
  - Prevention of sarcopenia, osteoporosis, falls and osteoporosis related fractures
- Role of dairy products in healthy sustainable diet (including plant-based diets):
  - Nutrient adequacy and healthy dietary patterns
  - Connection between nutrition and health with environmental and social aspects

- Report on our dairy research investments, processes and successful outcomes from farm to table;
- Identify and implement effective means of delivering pan-Canadian research results to support dairy farmers to continuously improve their farm businesses; and,
- Communicate findings on the role of dairy products in a healthy Canadian diet to the health sector.

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