

Why is Canadian Dairy Farming Sustainable?

A look at the economic, environmental and social angles of milk production in Canada.

A presentation by Bruno Letendre at the WTO Public Forum 2018

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Thank you for the introduction. My name is Bruno Letendre, and I am a proud Canadian dairy farmer. The Canadian dairy industry has been in the news quite a bit lately, and so I appreciate this opportunity to speak briefly about our country and share our perspective on trade and sustainability.

Sustainable development and international agricultural trade

In 2016, The International Dairy Federation formalized the commitment of the international dairy industry to sustainable production with the signing of the Rotterdam Dairy Declaration. The Canadian dairy industry proudly adopted this declaration that commits the world dairy industry to doing its part to achieve the UN's Sustainable Development Goals. The objectives are broad reaching and emphasize that sustainable development in agriculture extends beyond the environment, and also encompasses rural and community development, economic stability and the viability of industries.

Today, I would like to speak to you about the sustainability efforts undertaken by the Canadian dairy industry, which are built on the Supply Management System and our quality assurance program, proAction®.

What is supply management?

In Canada, our goal is to produce to meet the needs of our domestic market for dairy products, which is the basis of the supply management system. Our system rests on three pillars:

- First, production discipline ensures a steady and predictable supply of quality milk is available to meet consumer demand for milk and dairy products;

- Second, fair prices for farmers ensure efficient farmers receive a fair return from the market for their production, including labour and investments, without any direct support for revenues from the government; and,
- Lastly, predictable imports make it possible to properly plan production and sustain a stable market environment.

It's important to remember that, while supply management ensures producers receive a fair return for milk, this does not necessarily translate to higher prices for consumers. In fact, Canada's average retail price for fresh milk is less than the price in Australia, France, New Zealand, and even rbST-free milk in the United States (which is comparable to Canadian milk). These results are on the screen.

I would also like to point out that in Canada, dairy farmers have established proAction®, a mandatory quality assurance program that demonstrates that Canadian producers are committed to producing milk responsibly and to high standards. This mandatory program encompasses six modules: Milk Quality, Food Safety, Animal Care, Livestock Traceability, Biosecurity and Environment.

Aligning supply with demand

From an environmental perspective, by aligning supply with demand, the Canadian dairy industry is better able to balance production needs with our environmental capacity. In other regions of the world, over-production is a chronic issue, and the environmental burden of intensive milk production has been highly publicized and even politicized. Examples of these environmental concerns include nitrate leaching, phosphate, methane and ammonia emissions and air and water quality. And, while no one is exempt from similar environmental concerns, in Canada, the supply management system has made it possible to reduce the environmental burden through a broader distribution of milk production throughout the country. Furthermore, because every small action

counts, milk transportation to processing plants is optimized to further reduce greenhouse gas emissions.

I'd like to move on to discuss economic sustainability. Over-production in other regions of the world has had significant economic consequences. For instance, the period between 2014 and 2016 has been described as a "global dairy crisis." I believe we are still experiencing this crisis. In 2014, world market prices crashed, with prices for some dairy products dropping by nearly 50% in a matter of months. Farmers were hit hard by these low world prices with many being forced out of business. The crisis has also had tragic consequences, with an alarming increase in the number of producer suicides worldwide, making the need for mental health services a political priority.

As a result of the global dairy crisis, many countries implemented ad hoc support programs to help producers. In Europe, a 500 million euro bailout was introduced, in Australia, a similar 430-million-dollar package was offered and, in the US, a \$20 million buy-back program of cheese off the market was introduced, in addition to the benefits received under the Farm Bill or the Common Agricultural Policy (CAP). On the other hand, in Canada, producers, while not immune to world market fluctuations, were not hit as hard. On the screen are farmgate prices in different regions over the last few years, indexed to illustrate the level of volatility in other regions. Canadian farmgate prices during the crisis decreased, but not as much, and, as you can see on the graph, prices have been appreciably more stable. In fact, no government money was required to help farms survive the crisis. Supply management is the key to economic sustainability.

A fair price for farmers

I mentioned that our system ensures a fair return to efficient farmers. We, Canadian dairy farmers, collectively pool returns, which ensures we all receive the same price at the farm for our milk. We also collectively share the burden of any price decreases.

Since we can count on a more predictable return, we can continue to invest in our farms. The dairy industry is a strong contributor to Canada's overall economy, with dairy being the first or second largest agricultural sector in seven of our 10 Canadian provinces. In 2015, the Canadian dairy industry contributed close to \$20 billion to Canada's overall GDP, nearly \$4 billion in terms of tax revenues and supported 221,000 full-time jobs. Dairy farms in rural communities promote economic development by generating jobs and economic benefits in other sectors including veterinary services, equipment services or contract work. As a result, the viability of dairy farms in rural communities plays an essential role in the economic well-being of these regions.

Managing imports

Lastly, to continue to meet the demand for dairy products in Canada, it is critical to know how much milk and dairy products are imported. Canadian dairy farmers are not anti trade, but we believe in fair trade that respects the customs and cultural differences of countries around the world. Let me be clear; our dairy market is not a closed market. In reality, imports make up about 10% of our market, which is triple or more than that of other dairy producing countries. However, each additional percentage of our market opened jeopardizes the sustainability of our system. On one hand, this results in an annual and perpetual loss to farmer revenues. On the other hand, imported products are not subject to the same quality, safety, animal care and other standards as milk produced on Canadian farms. I refer here to the regulations in effect in Canada as well as to the proAction requirements that define the social and environmental dimensions of sustainable production in Canada.

We also have concerns regarding the sustainability and fairness of the dairy trading system. For our part, we believe in *fair* trade. Currently, only about 10% of the milk that is produced globally is traded on the world market, with the majority coming from only three main areas: the US, Europe and Oceania. These regions are able to trade dairy products at very low prices, in part thanks to

sizeable subsidies funded through taxpayer dollars or in taking advantage of more favourable climate and less stringent environmental regulations. However, by artificially lowering world prices in this way, these regions threaten the viability of other dairy industries who do not benefit from the same level of subsidies. Since they are unable to be as competitive, these regions are unable to cope and survive when dairy products are dumped on their market.

Conclusion

This discussion on balancing sustainability and trade has become increasingly pertinent with an increasing number of countries striving to develop their domestic milk industry. Food sovereignty is an important issue around the world. All countries are moving toward limiting the reliance on other countries to feed their populations, with most developed countries adopting policies to further support and develop their agricultural sectors. What I hope to leave with you is an understanding of how we see sustainable development for dairy producers in Canada. We rely on our supply management system as well as our proAction initiative.

In summary, in addition to safeguarding the economic sustainability of agricultural businesses, we firmly believe that the supply management system and the proAction initiative enable our producers to ensure the sound, responsible and sustainable management of animals and the environment. The Canadian model is an agricultural model that successfully promotes a sustainable business environment. Trade agreements must maintain the tools that allow us to practice supply management today.