



DFC UPDATE

In this issue of DFC UPDATE ...

DFC's 2010 Annual General Meeting: The Future of Dairy Farming in Canada

Retiring Board Members Recognized

International Trade Update

In Tribute

DFC's Annual General Meeting July 2010: The Future of Dairy Farming in Canada

Dairy farmers from across Canada met in Halifax this past July for DFC's Annual General Meeting, which focused on the challenges and opportunities facing Canadian dairy.

The future of agriculture is a topic of interest worldwide given ongoing global price volatility, as well as emerging concerns regarding food safety, food security and climate change. This is, however, contrasted by emerging advances in innovation and research, improving environmental practices, animal welfare efforts and on-farm efficiencies. Throughout all of this, the Canadian dairy industry has remained stable, thanks in large part to the supply management system, thus allowing for reinvestment in research and innovation. In an effort to further discussion on these topics, DFC shaped it's AGM to address four topics that could impact the future of the Canadian dairy industry.

The New Face of Canada

Keynote speaker Darrell Bricker, CEO of Ipsos Global Affairs, gave a comprehensive presentation on the "new face of Canada," characterized by shifting population demographics such as a more educated, more involved consumer, and an increasingly multicultural, urban population. These demographics are largely shaping the current demand for local food that is produced in a sustainable manner. Mr. Bricker explained that changing consumer mindsets, a clear evolution in Canadian expectations and decreased levels of consumer trust have been noted, in spite of consumers having more access to information than ever before. Despite maintaining brand loyalty based on past buying habits, consumers seem to be demanding higher value and quality, coupled with greater transparency from all industries, especially food industries,



Darrell Bricker, CEO of Ipsos Global Affairs, addressing delegates at DFC's AGM in Halifax

Mr. Bricker left delegates with many interesting ideas to digest and discuss in the halls during the week, and as part of the ensuing panels, where the idea of changing demographics and values were often referenced.

The Future of Food: National Food Strategy

Dairy farmers were pleased to hear from Garnet Etsell, Canadian Federation of Agriculture (CFA) Vice-president, who presented the National Food Strategy being led by the CFA, which promises to be an important part of the future of agriculture in Canada. Dairy farmers are committed to the goal of the National Food Strategy in constantly improving the food supply and enhancing Canadians' lifestyle, ensuring that resources and the environment are adequate, and that the industry has a firm economic foundation. The multi-stakeholder initiative to work together to map Canada's food future and all that it entails through a comprehensive strategy, is one that dairy farmers support strongly as a means to create a healthier, environmentally sound and more economically prosperous nation.

The need for a National Food Strategy in Canada was further illustrated by Nick Van Westenholz, Government Affairs Advisor for the National Farmers' Union (NFU) in the UK, who presented to dairy producers, the "Food 2030" strategy released by the UK Government January 2010. Mr. Van Westenholz discussed how in the UK, as seen worldwide, the food safety crises and a lack of effective government involvement in the agriculture industry have all led to the need for better governance when it comes to food policy. In the UK, this led to the development of a Food Strategy by government and industry. Despite support from agriculture industries and consumers in the UK, forward movement towards the implementation of "Food 2030" has dwindled, leaving the current strategy in question.

Canadian dairy farmers know that too often the belief that farming and food production will always be there, and the complexity of the food system leads to a lack of coordinated and functional agricultural policies that may or may not be serving our long-term food interests. That is why dairy farmers in Canada are urging Canadian consumers, agriculture leaders, food manufacturers and government to work together to further the National Food Strategy to ensure that, as stated by Mr. Etsell, Canada positions itself to be "a leader in providing safe and nutritious food through a vibrant, competitive, responsive and sustainable farming, processing, distribution and sales sector."



Garnet Etsell, Vice-president of the CFA, presenting the National Food Strategy to dairy farmers.



The Future of Dairy Farming in Canada

Dairy producers in Canada understand the need for innovation and forward thinking, especially given increasing demands and challenges in the dairy sector, both domestically and internationally. Climate change, animal welfare, food safety concerns and food security are all priorities for dairy farmers in Canada. As such, they are constantly being reexamined in order to ensure Canadian consumers receive a safe, high-quality product, while dairy farmers receive a reasonable return, ensuring the future of a dynamic and profitable Canadian dairy industry.

This was the impetus for the panel of dairy producers entitled “The Future of Dairy Farming in Canada.” The panel, which was from the perspective of two industry veterans, Paul Henderson (ON) and Elspeth McLean-Wile (NS), as well as two young farmers, Mark Schurmann (BC) and Steve Chénard (QC), examined the areas of focus needed in the next 10 years for the Canadian dairy industry.

The panelists drew upon their own experiences and expertise to reflect upon various interesting topics, including the need for reinvestment in farm businesses to increase productivity and efficiency, animal welfare as well as land conservation, all ensuring the future success of a dairy farm for future generations, as Mr. Henderson explained.



Panel on “the Future of Dairy Farming in Canada.” From left to right: Paul Henderson (ON), Mark Schurmann (BC), Elspeth McLean-Wile (NS) and Steve Chénard (QC).

The topic of reinvestment and innovation on dairy farms was also examined from the perspective of emerging opportunities in dairy farming and agriculture. As a dairy farmer in the midst of a succession plan, Ms. McLean-Wile explained that understanding consumers’ values and trends can open the door for future endeavors, such as her own homegrown market, allowing producers to have a successful life after dairy farming, while contributing to her community and local economy.

Additionally, the issues and opportunities that young farmers deal with on a daily basis were examined, highlighting the willingness of young dairy farmers to contribute to the industry. Mr. Schurmann pointed to promotion activities such as the 100% Canadian Milk logo as being essential towards educating consumers about the values of the dairy industry, which he believes will define the industry in the coming years. The idea of leadership was elaborated upon by Mr. Chénard, who discussed the need for young dairy producers to be involved in young farmers’ organizations, such as the Canadian Young Farmers Forum (CYFF) which DFC is proud to partner with. Both panelists provided strong examples that young farmers are engaged and ready to be involved in the dairy industry and important areas of its development.

The Canadian dairy industry is one which prides itself with a safe, quality product, produced under high standards and innovative programs. Dairy farmers in Canada know that the opportunities available for reinvestment in their own businesses, as well as in the Canadian economy, are due largely to supply management, and the reasonable returns it guarantees dairy producers.

The Future of Sustainable Development in Canadian Dairy Farming

As part of a commitment to ensure the environmental and economic sustainability of dairy farming in Canada, dairy farmers adopted a sustainable development strategy presented by DFC Vice-President Ron Maynard (PEI) as part of DFC's AGM. While dairy farmers have long served as environmental stewards, this strategy will help efforts to further reduce the dairy footprint in Canada. As a start, dairy producers are partnering with government, academia and other institutions to fund research on sustainable practices in dairy, including a Life Cycle Analysis of the dairy chain. A Life Cycle Analysis (LCA) is a measurement tool that addresses existing and potential environmental impacts (including the use of resources and the effect on the environment) throughout a product's life cycle. It is an extensive analysis taking into account the economic, environmental and social impacts of dairy farming. This tool is an internationally recognized and standardized practice under the ISO guidelines.



Dairy farmers have set the vision statement of the strategy as, "Working within the context of a strong supply management system, Canadian dairy farmers will strive to produce safe, nutritious food in an economically, socially and environmentally sustainable way to the benefit of Canadian society." Dairy farmers are not starting from far; efficiency gains made on dairy farms have contributed to reducing GHG emissions by 25% or an average of 1% per year between 1981 and 2006. What's more, dairy farmers need 50% less cows to produce enough milk for Canadians compared to 40 years ago. Fewer cows means less manure and less methane emissions.

DFC Recognizes Retiring Board Members

As part of the AGM Banquet in Halifax, DFC recognized two retiring DFC Board members: Barron Blois of Nova Scotia and Bruce Saunders of Ontario, for their years of service and leadership to the Canadian dairy industry having both served as past DFC Executive members.

Barron and his wife Debbie farm 550 acres, operate a 280-cow dairy - milking 115 - and harvest wild blueberries off approximately 600 acres. Barron has served on DFC's Board since 1991 including a term as president from 1997 to 1999, and has represented producers in Nova Scotia for over 25 years. He has been a leader at the Canadian Milk Supply Management Committee since 1989 and witnessed the evolution of the Canadian dairy industry.



Right to left: Bruce Saunders (ON) and Barron Blois (NS) testing the 100% Canadian Cream recipes at the 2010 Dairy Farmer's of Canada Reception in Ottawa.

Bruce and his wife Marg, own a 175 cow, free-stall operation in partnership with his brother, father and two nephews. Bruce has served as a Board Member for DFC since 1994 and as the elected member for Bruce and Grey Counties at Dairy Farmers of Ontario (DFO) since the mid-80s. In addition to having served as both Chair and Vice-Chair for DFO, Bruce served 5 years as a Vice-President of DFC.

On behalf of dairy farmers across Canada, DFC thanks Barron and Bruce for their dedication over the years and wishes them continued success as great Canadian dairy farmers.

International Trade

World Trade Organization (WTO) Annual Public Forum

DFC Vice President Marcel Groleau (QC) recently attended the WTO Public Forum, held in mid-September in Geneva. The theme of this year's Forum was "The Forces Shaping World Trade", which focused the role of the WTO, other international and national institutions, and civil society groups in world trade and social issues. Many sessions drew on the idea of "coherence" between a multilateral trade agreement at the WTO and human and social rights.

Farmer organizations from around the world, including DFC, jointly hosted a session entitled "Seeking coherence: How can international agreements influence agriculture and world trade positively for the coming generation in the face of global trends?"

As part of the session there were two panels: the first examining the challenges and issues facing agricultural trade, including climate change and biofuels; the second discussing the realities of the current issues facing agriculture production and producers in their countries, especially in regards to the proposed draft agriculture modalities in the context of the WTO Doha Development Round. Both panels called attention to global price volatility in agriculture and the need for regulation of agriculture markets.

There was consensus in both panels on the right of producers to receive a fair price, for consumers to have access to safe food and of countries to determine their own food policy. More specifically, panellists called on the need for coherence between any agreement reached by the WTO and the needs of agricultural producers.

WTO Negotiations

The latest mobilization initiative coming out of Geneva is the formation of "small groups" consisting of WTO member country representatives based in Geneva, who will meet to brainstorm potential methods to relaunch the negotiations process and to exchange ideas on ways to resolve the various sensitive issues of the negotiations, including agriculture. The small groups will report to the G20 in November, however many are not convinced that this new effort to reinvigorate talks will have any concrete results in the end.

Dairy producers, amongst other international agriculture groups, have concerns, specifically given that negotiations continue to be based on the 4th draft of proposed modalities for agriculture as established in December of 2008. This draft would force Canada to reduce over quota tariffs by 23% and expand market access for dairy products by an additional 6%. DFC has estimated that these provisions would result in a loss of revenue of over \$1 million at the farm gate, or the equivalent of more than 20% of revenue from the sale of milk from farms. These proposed modalities would be contrary to the position held by Canada in these negotiations, a position clarified by a unanimous motion in the House of Commons on November 22nd, 2005. This motion clearly states that Canada would oppose any reductions to over quota tariffs, as well as any TRQ expansion for supply managed products.

The Canadian dairy industry represents one of the top two agriculture commodities in seven of ten provinces, generating more than \$5 billion in revenue at the farm gate, and sustaining \$30 billion in economic activity, making it too important to be traded away.



Panellists from the Session hosted by international farmer groups.

(left to right) Back row: Christian Lacasse (UPA, Quebec), Hirofumi Kobayashi (Ja Zenchu, Japan), Christian A. Smedshaug (FNA, Norway), Niek Koning (Wageningen University, Netherlands) **Front Row:** Djibo Bagna (ROPPA, West Africa), Marcos Rochinski (FETRAF, Brazil), Robert Carlson (NFU, USA), Padraig Walshe (COPA-COGECA, EU), Philip Kiriro (EAFF, East Africa).

Canada-EU Comprehensive Economic Trade Agreement (CETA)

Trade negotiations for the Comprehensive Economic Trade Agreement (CETA) between Canada and the European Union (EU) have progressed quickly over the past year, with the next round of discussions set to take place the week of October 18th in Ottawa.

The negotiations are technically based on the principle of there being no exemptions *a priori* (everything is on the table). This principle can easily be questioned knowing that the Common Agriculture Policy (CAP) of the EU will not end up on the negotiation table, and given that Canada and the EU both have important areas of sensitivity which will surely be exempted. For Canada these are the supply managed sectors.

That said, the EU has clearly stated their position to achieve larger access to the Canadian cheese market, despite currently maintaining 66% of Canada's cheese Tariff Rate Quota (TRQ). In fact, Canada has a dairy product trade deficit with the EU and imports \$246 million worth of dairy products from the EU (\$167 million of which is cheese) while Canada ships \$40 million worth of dairy products to the EU (\$28 million is cheese). The EU is also insistent upon the recognition of Geographic Indicators (GIs), which would recognize not only product names coming from the region in which they are manufactured, but also names inspired by the regions. The dairy industry (eg. producers and processors) is against any expansion of the protection conferred by GIs.

Dairy farmers have followed the devastation caused by global price volatility over the past year, and its effect on dairy farmers in EU countries. Anything but complete defence of supply management in the current CETA negotiations, and in future bilateral and multilateral trade agreements, would expose the Canadian dairy industry to this same volatility, which is why Canadian dairy farmers urge the Government to continue its strong support for Canada's supply management system.

Trans-Pacific Partnership

Given the slow progression of a multilateral trade agreement, many countries, Canada included, have embarked on a strong bilateral trade agenda as a means to complement the ongoing negotiations at the WTO. The Trans-Pacific Partnership (TPP), a recent addition to Canada's trade agenda, is based on an existing trade agreement which entered into force back in 2006 and originally involved New Zealand, Chile, Brunei and Singapore. The objective of the current talks is to expand the scope of this agreement and to broaden the membership to other nations including the US, Peru, Australia, Vietnam and possibly others.

Despite having not been included in the TPP negotiations as of yet, Canadian officials were present at the most recent talks in Peru, and Canada is reported to be increasing its efforts to be included at the table as part of these negotiations. Canadian officials were in Brunei in early October. Contrary to previous bilateral negotiations completed, Canada seems to have chosen a similar approach taken in the Canada-EU negotiations to these negotiations; that is to say that trading partners will be willing to discuss all areas of interest. New Zealand being one of the most active members participating in these TPP negotiations, and a constant lobbyist for open access to Canada's dairy market, has opposed Canadian involvement in the TPP, largely due to concerns that Canada's support for supply management might bolster the United States' opposition to the inclusion of dairy in these talks.

While Canadian dairy farmers understand the importance of international trade agreements such as the TPP, it is essential that the Canadian dairy industry be clearly defended in all negotiations. If dairy was to be completely liberalized as part of a free trade agreement involving the biggest exporter of dairy products in the world, it would devastate the Canadian dairy sector.

Canadian dairy producers call on the Government of Canada to continue with the strong position of defending supply management by giving a clear mandate to negotiators to obtain results in all international trade negotiations which would ensure that supply managed sectors will not be subject to any reductions in over quota tariffs, or any TRQ expansion.

In Tribute

It was with sadness that we learned of the recent passing of two great farm leaders in the Canadian dairy industry; past- DFC President Grant Smith and the Honourable Jim Tunney.

As Executive Director of DFC I had the distinct privilege to work with both of these men to advance the issues of importance to dairy farmers across this country.

Grant Smith was a farm leader from Ontario that left his marks at the provincial, national and international levels. First elected to the Ontario Milk Marketing Board (known today as Dairy Farmers of Ontario) in 1968, he acted as its chairman between 1986 and 1990. Also a board member for Ontario on Dairy Farmers of Canada, he served as its President between 1983 and 1985. Grant also served 6 years as Chairman of the Dairy Group of the International Federation of Agricultural Producers and, during his mandate, was able to produce a Dairy Group statement on international trade, a feat that has not been repeated.

Jim Tunney was on the DFC Board for 17 years and also served on the Ontario Milk Marketing Board as well as the Ontario Federation of Agriculture. He was called to the Senate by Prime Minister Jean Chrétien to represent the agriculture industry and while he served only a term of 15 months before his retirement he left an indelible mark on his colleagues in the Upper Chamber. His last official act in the Senate was a members' statement drawing attention to the importance of the recent election of Jack Wilkinson as President of the International Federation of Agricultural Producers (IFAP) and the key role that Canadian farm leaders were playing in this organization; including then DFC President Leo Bertoia's involvement with the IFAP Dairy Group.

On behalf of Dairy Farmers of Canada, we send our deepest sympathies to their families as well as our sincere appreciation for sharing these great men with all of us in the dairy farming community.

Richard Doyle
Executive Director



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