

DFC UPDATE

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Save the Date!

DFC's Annual President's Reception is fast approaching...

When: *Tuesday, February 1st*

Where: *Ballroom, Chateau Laurier*

We look forward to having you join us in celebrating...

“Dairy farmers’ commitment to a profitable, supply-managed and consumer responsive dairy industry in Canada; in every drop of Canadian milk.”

Watch for your invitation in the mail in the early New Year!!!

DFC in 2010: A Year in Review

In 2010, Canadian dairy farmers have continued to respond to the challenges faced by agriculture worldwide, such as climate change and price volatility, head on by reinvesting in research and development, and by calling attention to the specific nature of agriculture in trade negotiations. These efforts have been essential in ensuring a dairy industry comprised of profitable, independent farm businesses operating within a dynamic system of supply management, producing and promoting safe and high quality Canadian dairy products for consumers.

In trade negotiations, dairy farmers across Canada have continued to urge negotiators and the Government to recognize that agriculture cannot be treated as most other commodities, being that it represents the world's food, and more importantly each country's own food security. This has been the basis for calls by Canadian dairy farmers for greater coherence between international trade negotiations at the World Trade Organization (WTO), existing international agreements and the domestic policies of States. A one-size-fits-all approach in trade negotiations would be detrimental for agriculture worldwide as it would ignore the individual policies, needs and environmental conditions of countries. In Canada, this approach at the WTO would result in a revenue decline of one billion dollars for Canadian dairy farmers.



The World Trade Organization building in Geneva

That is why dairy farmers across Canada were happy to hear from many parliamentarians in 2010, who continued to pledge their support for supply management and praised its resulting stability. Additionally, the Canadian dairy farmers were pleased to hear the continued assurances of the Government and trade officials, all of whom reiterated that they would maintain a strong supply management system for dairy during trade negotiations.

Canadian dairy farmers know that to be profitable is to be competitive. In Canada, unlike dairy farmers in Europe, the U.S. and other countries, who suffered from historically low prices and higher inputs costs in 2009 and 2010, the Canadian dairy industry has remained stable, thanks to supply management.

It must also be remembered that Canadian dairy farmers receive their return from the market without any government subsidies, as opposed to American and European dairy industries, who receive government subsidies. A recent study by Grey, Clark and Shih, entitled "Farming the Mailbox: U.S. Federal and States Subsidies to Agriculture", focused on these government subsidies to the dairy industry in the United States, which in 2009 were an estimated \$31.11 (CDN) per hectoliter.

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DFC in 2010 - *cont'd*

The stability provided by supply management has continued to allow for dairy farmers across Canada to reinvest in their farms as well as in various industry initiatives in research, on-farm food safety programs, animal health and welfare, and nutrition education.



Minister Ritz with DFC's Executive Members at DFC's 2010 Policy Conference

The creation of the Dairy Research Cluster was one of these innovations. Following the announcement by the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food, during DFC's 2010 Policy Conference, of an \$8.7 million contribution, funding for projects from across Canada got under way.

Under the two themes of nutrition/health and sustainable development, the research activities planned under the dairy cluster will reinforce and solidify the strong commitment of Canadian dairy farmers to provide healthy, safe and sustainably produced dairy products to Canadians. This will ensure the dairy sector in Canada remains a viable source of pride for Canadians.

Additionally, consumers continue to make it clear — they want quality and knowledge on what's in their food and from where it originates. That is why DFC works to promote high quality Canadian dairy products, such as the great variety of Canadian cheeses or real ice cream made with 100% Canadian milk. Consumers deserve truth in labeling, with labels which meet consumers' expectations.

The increasing demands of consumers were also one of the contributing factors behind the National Food Strategy. Dairy farmers across Canada have contributed to discussions shaping this important initiative, which strives to create a long-term strategy for the Canadian food system together with all players along the food chain.

Canadian dairy farmers have worked hard in 2010 to further their commitment to innovation and sustainability in Canada's dairy industry. 2011 will see many of these initiatives continue to move forward, demonstrating how the stability offered by Canada's supply management system in the dairy industry continues to create good news.

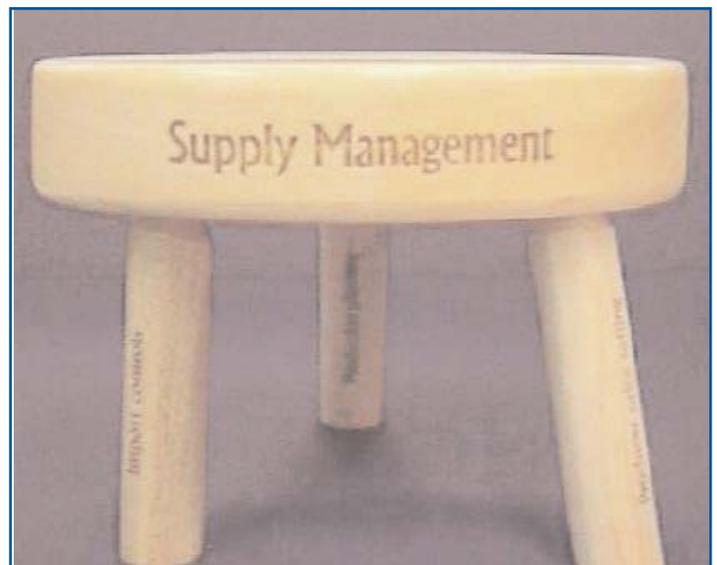
Looking Forward to 2011 - A Commitment to Innovation and Sustainability

2011 is already looking like a year in which trade will be a priority for many countries, including Canada, with many furthering heavy bilateral trade agendas, as well as with negotiators being urged to return to the table at the WTO in the hopes of concluding the Doha Round in 2011.

DFC continues to recognize the importance of international and bilateral trade agreements to Canada, so long as supply management is not negotiated in any form, as has been the case in all previous trade negotiations by Canada. As negotiations with the European Union move forward towards a Comprehensive Economic Trade Agreement (CETA), as do discussions with the Trans-Pacific Partnership member States, it is crucial for Canada to stay its course to ensure the maintenance of an effective supply management system for the Canadian dairy sector.

Given that the EU already benefits from strong market access to Canada's domestic cheese market, and that Canada that currently has trade agreements with countries representing 350 million of the 420 million people in the TPP membership, positive trade negotiations are certainly able to be achieved without having to sacrifice Canada's dairy industry; one of the top two agricultural commodities in seven out of ten provinces and a significant economic contributor to Canada's GDP.

Dairy farmers across Canada do however continue to question the one size fits all approach of the WTO, specifically as it pertains to agriculture, and urges government not to accept any agreement which would jeopardize the three pillars of supply management: import controls, producer price setting and production planning.



Supply management allows for Canadian dairy farmers to receive a fair return for their labor and costs to produce milk without any government subsidies, while product processors receive a stable and high quality supply of milk and consumers pay a fair price for dairy products. In the end, this stability, which was evident in 2009 and 2010 as dairy farmers worldwide suffered from volatile prices, allows for dairy farmers across Canada to remain profitable and therefore competitive. In fact, over the past year, numerous discussions have been held between dairy producers and government, in both the U.S. and EU, on the possibility of restructuring their dairy industries in an effort to avoid future boom and bust cycles.

Keeping the supply management system for Canadian dairy intact is a key element in furthering innovative research and programs, such as Canadian Quality Milk and animal welfare initiatives as well as health and nutrition and sustainable development. These are areas in which Canadian dairy farmers continue to be leaders and not only reflect the values of dairy farmers from across Canada, but also those of Canadian society, who want more out of their food than just safe food

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Looking Forward to 2011 - *cont'd*

and great taste. More and more, Canadians want to know what it is they are eating, where it comes from and how it is produced. In such, DFC will continue to advocate for truth in labelling; effective and enforced labelling rules and compositional standards, specifically regarding dairy products sold in Canada.

Providing Canadians with high-quality, safe and healthy dairy products will be a continued priority for DFC, as further research initiatives are undertaken to help shape understanding of the role dairy products play in a healthy lifestyle.

Further to this, in 2011 DFC will continue to contribute to the creation of the National Food Strategy (NFS) for Canada, which would ensure sustainability and security for the Canadian food system. Canada needs a long term vision for its agriculture and food policies while involving all stakeholders in the food chain, from producers to processors, from governments to consumers and retailers. Agriculture is a unique sector which cannot be dealt with by a flurry of independent policies but must be driven by a solid, coherent and long term understanding of the needs of Canadians.



Sustainability in agricultural policy, as in on-farm practices, is necessary at the national level, and will continue to be a priority for Canadian dairy farmers as issues such as food security and climate change continue to emerge as global concerns. Sustainability for Canadian dairy farmers also means having a system in the long-term, in which dairy farmers continue to be efficient and profitable, allowing for innovation and reinvestment in on-farm programs, research, marketing, and health and nutrition programs.

Canadian dairy farmers are committed to these and other areas of priority and call on parliamentarians to continue supporting sustainability and growth in the Canadian dairy industry by supporting Canada's supply management system and the many benefits it provides for Canadians.



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