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Ag Committee Hearing Held to Study Milk Protein Imports

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Report Highlights:

The House of Commons Standing Committee on Agriculture held a hearing on March 9th, 2016, to study the issues surrounding milk protein surpluses in the Canadian supply managed dairy industry. Two provincial milk marketing boards, the national dairy farmers lobby organization, and a large dairy processor testified. All four participants were united in their message that federal government action is needed to strengthen border controls and properly enforce existing regulations for dairy products so as to reduce domestic milk protein surpluses.

General Information:

Ag Committee Hearing Held to Study Milk Protein Surpluses

On March 9th, 2016, the House of Commons Standing Committee on Agriculture and Agri-food held a hearing to study the issue of milk protein surpluses in the Canadian supply management dairy industry. The witnesses who testified included the executive director of Canada's national dairy farmer lobby organization (Dairy Farmers of Canada), the senior VP of one of Canada's largest dairy processors (Agropur), and the executive directors of both the province of Ontario and the province of Quebec milk marketing boards (Dairy Farmers of Ontario and Les Producteurs de lait du Quebec, respectively). All four witnesses were united in their message that federal government action is needed to strengthen border controls and properly enforce existing regulation for dairy products to reduce milk protein surpluses. Below is a brief summary of some of the main points raised. A hyperlink to the full transcript can be found at the end of the document.

The Dairy Farmers of Canada (DFC) testified that they see a lack of border controls, which are the federal government's responsibility, is leading to overproduction and instability within the dairy supply management system. They asked for an improvement in the auditing and validation processes, more transparency on tariff classifications processes, as well as an "enforcement" of the existing rules. They argued that Canada's enforcement of existing border measures is being applied inconsistently across the various agencies and ministries. DFC raised the issue of products created to circumvent the dairy tariffs. These products are being classified under tariff lines not subject to a tariff rate quota then imported into Canada. DFC stated that the pending trade deals of the CETA and the TPP will also have significant negative impacts on the Canadian dairy industry. DFC called on the Canadian government to act quickly to enforce border measures and limit the damages cause to Canadian industry.

Dairy Farmers of Ontario (DFO), the agency which controls the marketing of milk in the province of Ontario, made the argument that import controls are the bedrock of supply management but that they have also been the least effective over the years and this is having a detrimental impact on investment planning. DFO testified that the ability of the industry to meet the substantial increase in butterfat demand reached its limit in 2015 and as a result, the industry has been forced to dump the skim milk. DFO explained that the situation is exacerbated by the fact that the skim milk powder dryers are old technology and have outlived their useful life and that there is a need to invest in modern technology. DFO feels that there are two conditions necessary before there will be processor investment in technology (1) an ingredients class and (2) a competitive class. DFO stated that this may be a good place for a private –public partnership. DFO would like to see an overhaul to address the "leaky border" and an investment in technology through a federal investment modernization fund for the whole industry.

Agropur, one of the largest dairy processors in Canada and Quebec-based dairy cooperative, testified that the government must safeguard supply management domestically, stating that "diafiltered" milk was specifically created to circumvent Canadian border controls and Canadian cheese standards in order to replace domestic protein. Agropur stated that it is economic incentives driving the imports of "diafiltered" milk which have been displacing domestic protein because it can be purchased at a much more competitive price. Agropur stated that government must act to end the confusion and limit the use

of such ingredient in manufacturing. Agropur argued that clear action on the part of government regarding the usage of diafiltered milk is necessary to bring about a conclusion in the national producer/processor negotiations.

Les Producteurs de lait du Quebec, the province of Quebec's milk marketing board, testified to the cost to dairy farmers caused by the protein being displaced by imports of diafiltered milk. It was explained that the costs of the surpluses are borne by the dairy producers, and that they are losing money on the components sales because they are selling fewer kilograms of solids non-fat for every kilogram of butterfat sold. The presentation concluded with the statement that dairy farmers are counting on the government to find solutions to these issues.

The complete transcript to this Committee hearing can be found at the following URL address:

<http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=e&Mode=1&Parl=42&Ses=1&DocId=8148151>