

Canadian Dairy Policy

Presented by Kristy Goodfellow,
USDA Foreign Agricultural Service

February 23, 2018

Will cover:

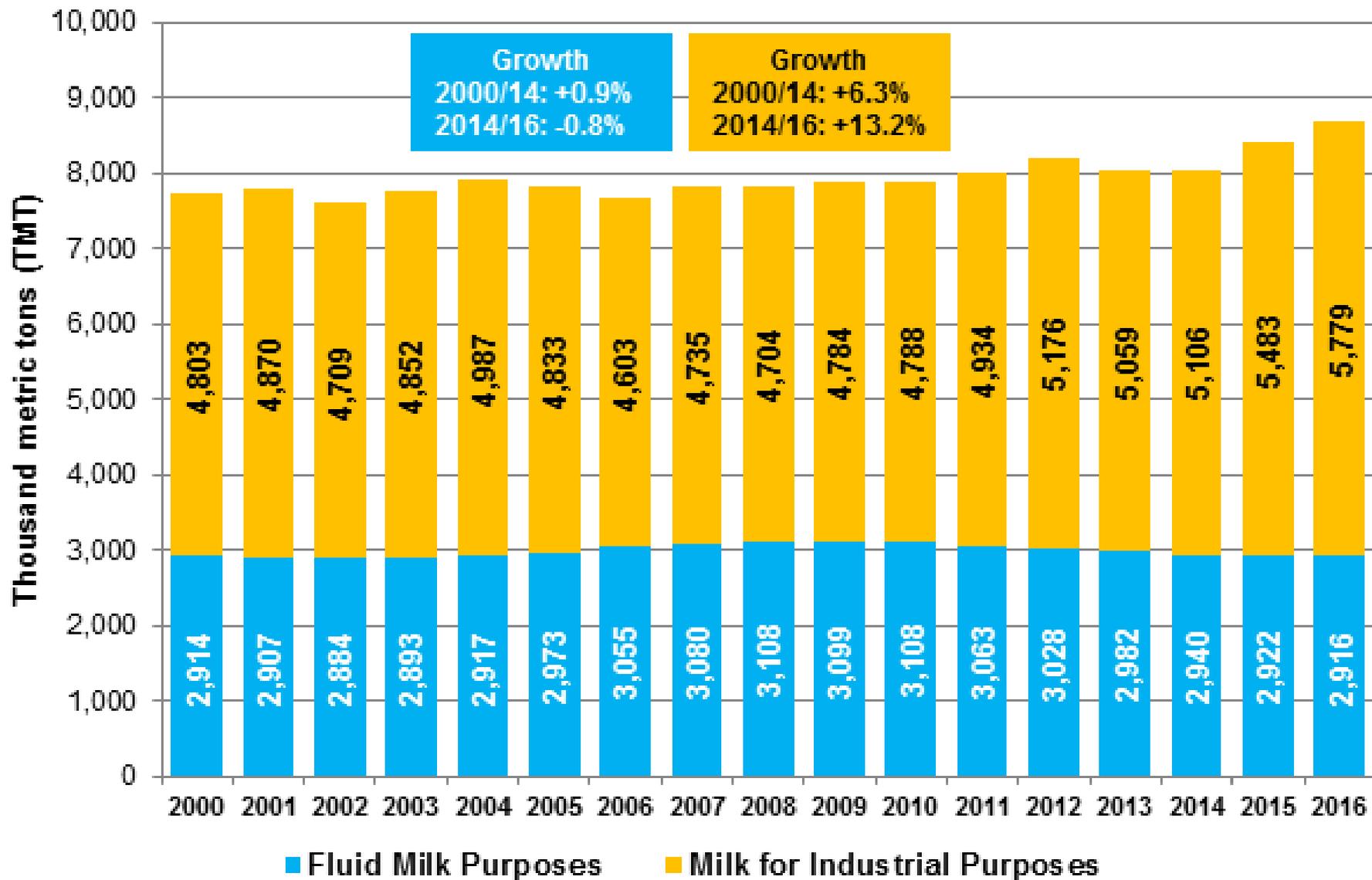
- Overview of supply management
- Dairy policies in Canada
- NAFTA renegotiations

Canada's Supply Management for Dairy

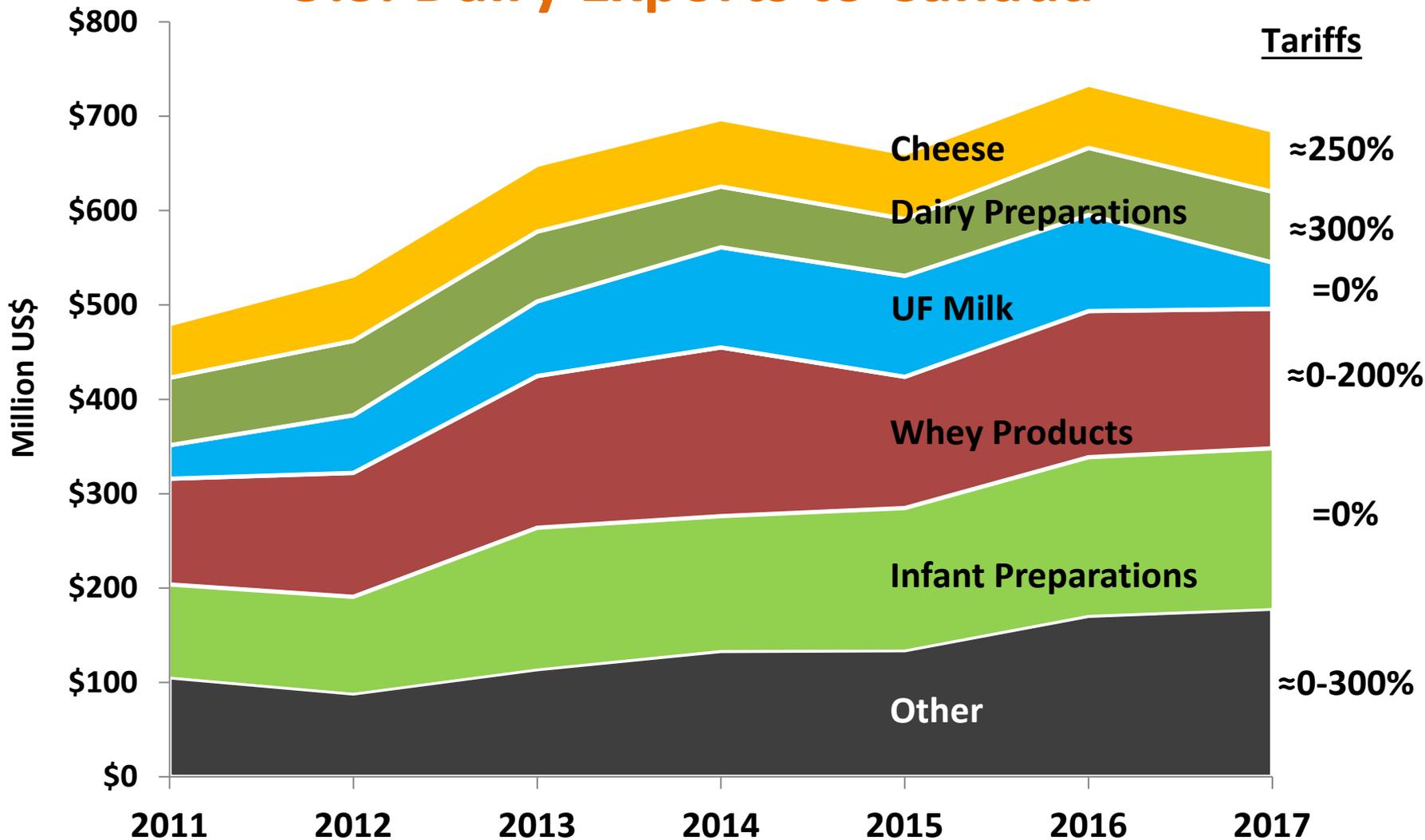
1. Production Control
2. Import Control
3. Price Control



Milk Production in Canada



U.S. Dairy Exports to Canada



Price Controls

- Example of Canada's Harmonized Milk Classification System

Class	Products
1(a)	<p>Milk and milk beverages, partly skimmed or skimmed, whether or not treated for lactose intolerance, whether flavored or not, with or without vitamins or minerals added, for retail and food service</p> <ul style="list-style-type: none"> •egg nog •cordials •cultured milk •concentrated milk to be reconstituted as fluid milk
1(b)	All types of cream with a butterfat content not less than 5% for retail and food service
1(b)ii	Fresh cream with a butterfat content of 32% and higher used to make fresh baked goods which are not eligible for a Class 5 permit. All utilization of this class requires a Class 1(b)ii permit.
1(c)	New 1(a) and 1(b) fluid products for retail and food service as approved by the provincial authorities during an introductory period
1(d)	1(a) and 1(b) fluid products marketed outside the ten signatory provinces but within the Canadian boundaries (e.g. Yukon, NWT, Nunavut and cruise ships)

Changes in Canadian Dairy Policies

Changing Environment

- Butterfat demand
- UF-85 exports
- Processing outdated and lack necessary drying capacity

U.S. Milk Protein Substances* Exports to Canada



Global Policies and Canadian Dairy

- WTO Nairobi Agreement
- Other Trade Agreements

Canada Responds

2016

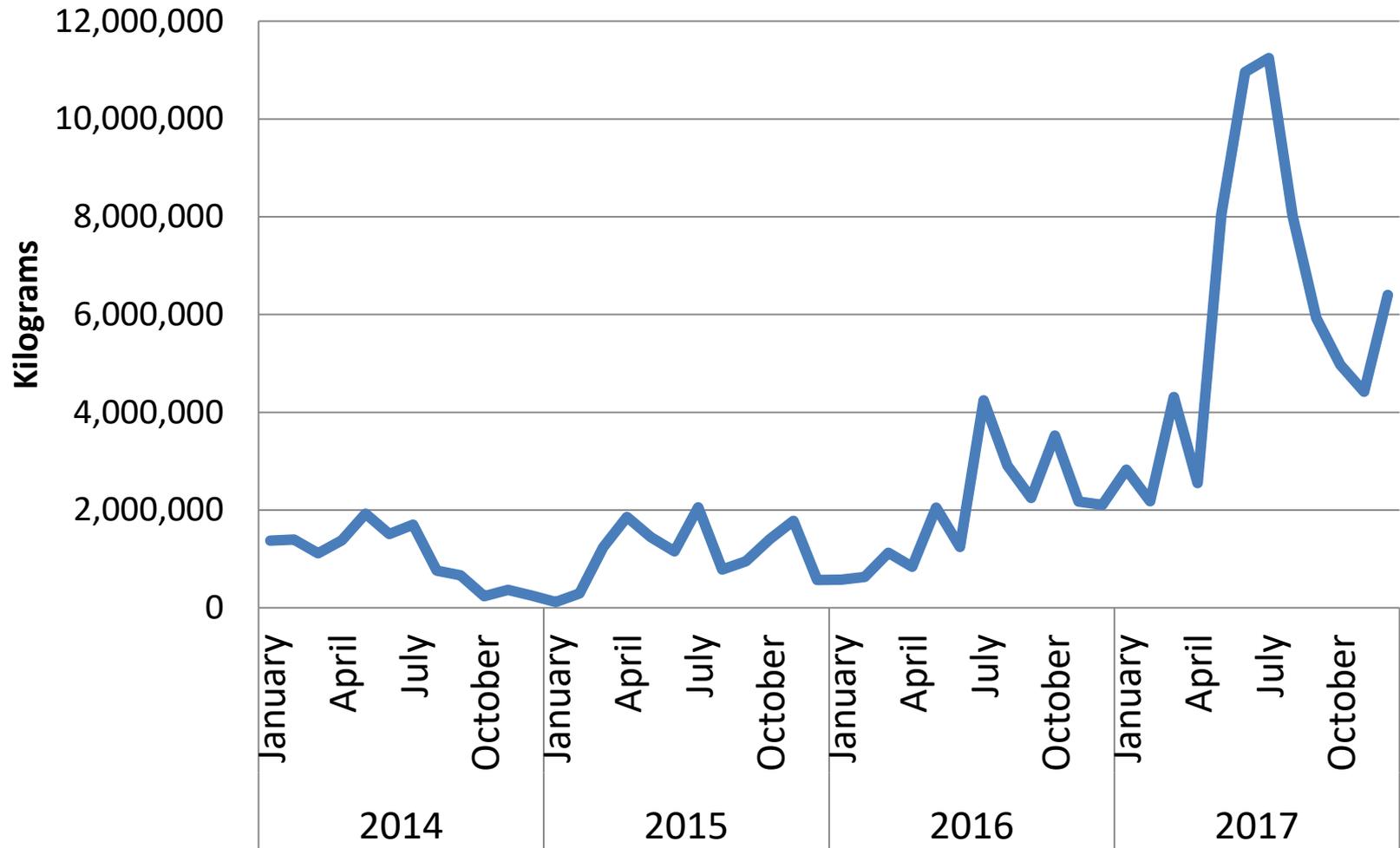
- April: Ontario Class 6
- May: Modified Class 4(m)
- July: Producer-Processor Agreement

2017

- February: Class 7 agreed by all provinces

What is Class 7?

Canadian Exports of Skim Milk Powder

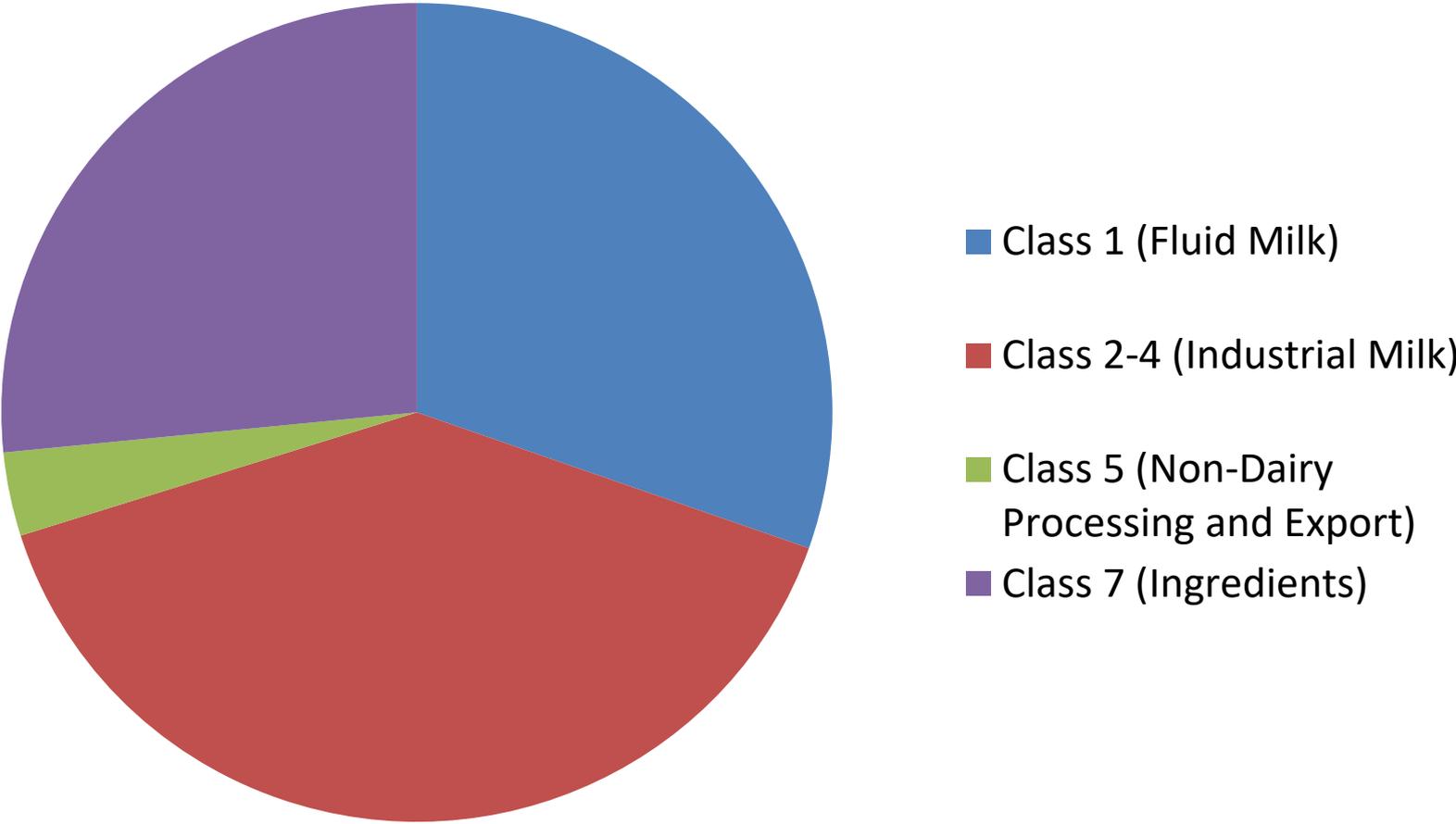


FAS/Ottawa Skim Milk Powder Forecast

Dairy, Milk, Nonfat Dry Canada	2016		2017		2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	57	60	80	72	0	45
Production	110	103	115	125	0	140
Other Imports	4	4	2	4	0	4
Total Imports	4	4	2	4	0	4
Total Supply	171	167	197	201	0	189
Other Exports	24	24	45	75	0	80
Total Exports	24	24	45	75	0	80
Human Dom. Consumption	65	69	80	79	0	80
Other Use, Losses	2	2	2	2	0	1
Total Dom. Consumption	67	71	82	81	0	81
Total Use	91	95	127	156	0	161
Ending Stocks	80	72	70	45	0	28
Total Distribution	171	167	197	201	0	189

Protein Utilization in Canada by Milk Class

April 2017



Canada Raises Issues with the United States

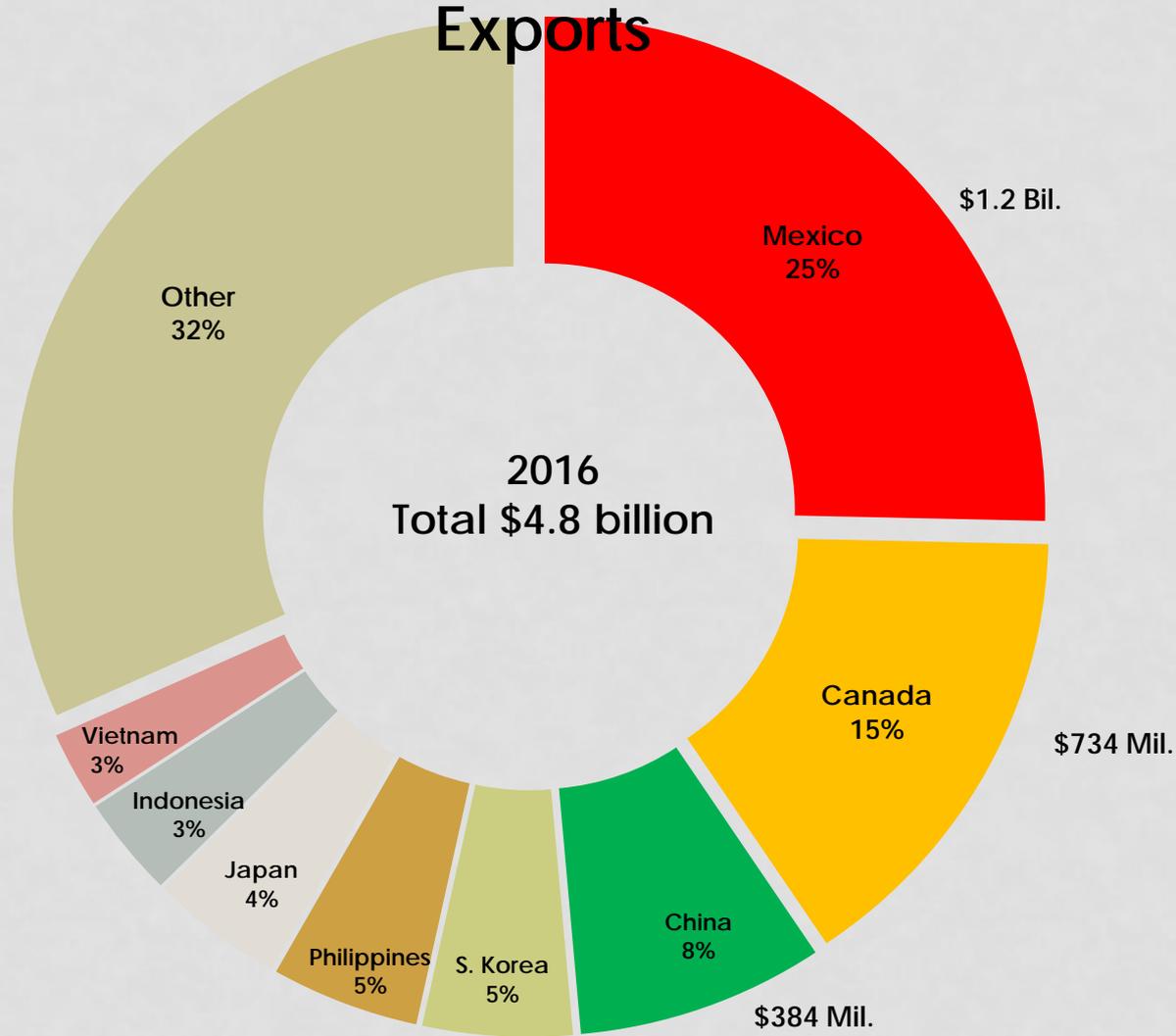


NAFTA Renegotiation

- Timeline
- Agriculture
 - Dairy and Poultry



Major Destinations for U.S. Dairy Exports



U.S. Dairy Industry “Asks” in NAFTA

- Canada: “Remove Trade-Distorting Policies and Opening a Sheltered Market”
 - Removal of some Canada Classes
 - Tariff Elimination
 - Duties Relief Program
- Mexico: “Preserve the Open Market”
 - Raw milk
 - Geographical indications (Canada and Mexico)

NAFTA Renegotiation Objectives

- **Agricultural Goods**
 - Expand competitive market opportunities for U.S. agricultural goods in NAFTA countries, substantially equivalent to the competitive opportunities afforded foreign exports into the U.S. market, by reducing or eliminating remaining tariffs.



Kristy Goodfellow

Senior Trade Policy Advisor

Bilateral Agreements and Enforcement Division

Office of Agreements and Scientific Affairs

Foreign Agricultural Service

United States Department of Agriculture

Phone: (202) 720-2748

Email: kristy.goodfellow@fas.usda.gov