Canadian Dairy Policy

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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
**Price Controls**

- **Example of Canada’s Harmonized Milk Classification System**

<table>
<thead>
<tr>
<th>Class</th>
<th>Products</th>
</tr>
</thead>
</table>
| 1(a)  | 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  
  • 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- Processing outdated and lack necessary drying capacity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

Millions of US$
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

Kilograms

2014 2015 2016 2017

January April July October
January April July October
January April July October
January April July October

2,000,000 4,000,000 6,000,000 8,000,000 10,000,000 12,000,000
### FAS/Ottawa Skim Milk Powder Forecast

<table>
<thead>
<tr>
<th>Dairy, Milk, Nonfat Dry</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>USDA Official</td>
<td>New Post</td>
<td>USDA Official</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>57</td>
<td>60</td>
<td>80</td>
</tr>
<tr>
<td>Production</td>
<td>110</td>
<td>103</td>
<td>115</td>
</tr>
<tr>
<td>Other Imports</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Total Imports</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
<td><strong>171</strong></td>
<td><strong>167</strong></td>
<td><strong>197</strong></td>
</tr>
<tr>
<td>Other Exports</td>
<td>24</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Total Exports</td>
<td>24</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Human Dom. Consumption</td>
<td>65</td>
<td>69</td>
<td>80</td>
</tr>
<tr>
<td>Other Use, Losses</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total Dom. Consumption</td>
<td>67</td>
<td>71</td>
<td>82</td>
</tr>
<tr>
<td>Total Use</td>
<td>91</td>
<td>95</td>
<td>127</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>80</td>
<td>72</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total Distribution</strong></td>
<td><strong>171</strong></td>
<td><strong>167</strong></td>
<td><strong>197</strong></td>
</tr>
</tbody>
</table>
Protein Utilization in Canada by Milk Class

April 2017

- Class 1 (Fluid Milk)
- Class 2-4 (Industrial Milk)
- Class 5 (Non-Dairy Processing and Export)
- Class 7 (Ingredients)
Canada Raises Issues with the United States
NAFTA Renegotiation

• Timeline
• Agriculture
  – Dairy and Poultry
Major Destinations for U.S. Dairy Exports

2016 Total $4.8 billion

- Mexico 25%
- Canada 15%
- China 8%
- South Korea 5%
- Philippines 5%
- Japan 4%
- Vietnam 3%
- Indonesia 3%
- Other 32%

$1.2 Bil. $734 Mil. $384 Mil.
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.
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