April 12, 2017

Dairy Farmers of Canada submission to the Standing Senate Committee on Foreign Affairs and International Trade in view of its study on Bill C-30

On behalf of Dairy Farmers of Canada (DFC), thank you for the opportunity to make this submission to the Standing Senate Committee on Foreign Affairs and International Trade, in view of its study on Bill C-30, the Canada-European Union Comprehensive Economic and Trade Agreement Implementation Act (CETA).

It should be noted that DFC's preoccupations are not with Bill C-30 per say; but rather, with the impacts of the CETA itself on the dairy sector. Therefore, our submission focuses primarily on mitigating those negative impacts.

The Canadian dairy sector makes a huge contribution to the Canadian economy. According to the latest study conducted by EcoRessources, in 2015, Canada's dairy sector contributed $19.9B to the GDP, and $3.8B in tax revenues, while sustaining 221,000 full-time equivalent jobs across the country. From 2013-2015, this represents a 5% increase in this sector's contributions to the GDP, a 5% increase in tax revenues, and a 3% increase in jobs. In addition, dairy is either the top or second agricultural sector in 7 out of 10 provinces. Furthermore, unlike other jurisdictions where farmer's incomes are heavily subsidized, Canadian dairy farmers receive no direct subsidies and derive their income from the marketplace.

For dairy farmers, the access granted in the CETA will result in a loss of up to 2% of Canadian milk production; representing 17,700 tonnes of cheese that will no longer be produced in Canada. This is equivalent to the entire yearly production of the province of Nova Scotia, and will cost Canadian dairy farmers up to $116 million in perpetual lost revenues.

On November 10, 2016, Dairy Farmers of Canada acknowledged the announcement by the Canadian government regarding the CETA Transition Program for Dairy. DFC believes this program is a step in the right direction; and, that current and ongoing levels of producer investments in the dairy farming sector suggest that the expected level of participation in the program will support a future round of investment into both the dairy farming and processing sectors. Furthermore, the announced program represents a recognition on behalf of the government that the dairy sector is being negatively impacted by the CETA. While DFC would of course prefer that any future trade deal have no negative impact, this announcement sets a precedent for future trade negotiations in the event that they do negatively impact Canada's dairy sector.

DFC participated in a national face-to-face consultation on the Dairy Farm Investment Program, held on December 12, 2016, and made a written submission on December 16, 2016. DFC's comments were developed in partnership with its members, and reflect a general national consensus among Canadian dairy

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farmers. To this date, DFC is still awaiting a response from the Government of Canada that includes the final details and planned roll-out date of the announced program.

In addition to awaiting the details of the Dairy Farm Investment Program, DFC is also anxious to learn from the Government of Canada how the new CETA Tariff Rate Quotas (TRQs) for cheeses will be administered and allocated. On July 22, 2016, DFC made a submission on the administration and allocation of the new TRQs at the request of Global Affairs Canada. In our submission, DFC urged the government to ensure that only those who are negatively affected by the opening of the Canadian market be eligible to receive a share of the new quota; DFC strongly recommends that the new cheese TRQ only be allocated to cheese makers. That position is also echoed by the Dairy Processors Association of Canada (DPAC) and the Canadian Alliance of Cheese Makers.

DFC has never been opposed to trade, and recognizes that agreements such as CETA can bring significant benefits to other commodities; however, the implementation of such agreements must be fair and equitable. From that perspective, cheesemakers who are being affected by it, big or small, whether individually or collectively, need to be treated fairly, and should be eligible to apply for a share of the quota. Allocating the TRQ to cheese makers will not only help to maintain the stability of the Canadian market; it will allow imported cheeses to have access to established distribution networks, therefore maximizing fill rates and avoiding speculation and disruptive marketing practices. If properly allocated to Canadian cheese makers, the new cheese TRQ could be used as a market development tool by bringing certain types of cheese not currently produced in Canada (test markets) with the hope of producing those in the future. Canadian cheese makers are also best positioned to import cheeses into Canada in a way that minimizes speculation, because they have no interest in negatively affecting or disrupting their own business.

Furthermore, while we believe it is important to allocate the TRQ in a manner that will assist cheese makers in developing long-term relationships with their customers, and ensuring that their share of the TRQ is sufficient to develop a sustainable business, DFC is opposed to allocating the new TRQ to retailers or distributors. Retailers have no incentive to supply these products outside their company. Notwithstanding the economic contribution of retailers to the Canadian economy, allocating any share of the CETA TRQ to them will only result in a substitution between domestic and imported cheeses, and will not generate added benefits.

On March 1, 2017, DFC and representatives from DPAC, attended a joint meeting with staff from the Ministry of International Trade regarding the allocation and administration of TRQs. At that meeting, both DFC and DPAC reiterated our position and collectively urged the government to ensure that the new TRQs are allocated to cheese makers. To this date, no announcement has been made by the Government concerning the final details of the administration and allocation of the new TRQs.

In the 2017 Federal Budget, the Government of Canada references their expectation that the respective legislative and regulatory processes in Canada and the EU will bring "virtually all significant parts of the Agreement into force by the spring of 2017". DFC continues to expect that an announcement regarding the final details and rollout of the Dairy Farm Investment Program, as well as the administration and allocation of the new TRQs, will occur prior to the provisional implementation of the CETA agreement.

Thank you for the opportunity to make this submission. Please feel free to contact Dairy Farmers of Canada should you have any questions related to this document, or the Canadian dairy sector.