International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

CANADA

Supplement

Canadian dairy policy

Since the last federal budget on 28 June 1982, federal agencies which regulate the prices for such vital goods and services as public transportations, public communications and foodstuffs will be facing constraints to price increases. Prices established under federal jurisdiction will not be allowed to increase over 6 per cent this year and 5 per cent next year. Thus, dairy support prices will be increased in accordance with the federal budget. This ceiling on support prices will effectively limit increases in the return to producers during this restraint period.

The update of the Canadian Dairy Industry has just been completed. The main highlights are:

- Effective 1 August 1982, the target return level for industrial milk and cream production is $41.02/hl., an increase of 3.55 per cent over the price established 1 January 1982.

- Support prices for butter and skim milk powder have been increased respectively to $4.33/kg. and $2.59/kg. Further increases in the price of butter and skimmed milk powder will have to be in concordance with the constraints of the last government budget, i.e. 6 per cent maximum increase this year and 5 per cent maximum increase next year (April–March).

- The subsidy on industrial milk and cream remains at $6.03/hl.; the same since 1975.

- Total Market Share Quota has been reduced by 2.7 per cent to 47.6 million hl. This could be altered during the year if the Canadian Milk Supply Management Committee deems it necessary.
- The inquota levy was raised to $4.07/hl. The contribution from the fluid milk sector remains at $.3015/hl. of class 1 sales.
- The overquota levy stays at $20.21/hl.
- The export quota levy was increased to $.33/hl.

A. Production

1. Factors which affect production

   The Canadian Milk Supply Management Committee has reduced the total Market Share Quota for 1982-83 to 47.6 million hectolitres, a reduction of 2.7 per cent from last year. Overquota levy was increased to $20.21 on 1 April 1982. These measures should refrain producers from overproducing. Also on 1 April 1982 the Market Share Quota of each province was reduced to 98 per cent of utilization. However, because of the seasonal pattern of milk production in Canada, it is expected that production will be increasing this summer.

2. Policies and measures of governments or other bodies likely to influence production

   Market Share Quota adjustment: market share quotas are adjusted according to a forecast of Canadian demand for the following year by the Canadian Milk Supply Management Committee. This Committee can make readjustment during the year if necessary.

3. Support Measures

   (a) Inventory of the instruments of support

      No change from previous response.

   (b) Levels of guaranteed prices or support prices as of 1 August 1982

      Butter: $4.33/kg.
      Skimmed milk powder: $2.59/kg.

   (c) Amount of producer subsidy

      $6.03/hl. of industrial milk produced up to the level of Canadian requirements.

   (d) Average return to producers: Determined by the target return formula which represents a fair return to an efficient producer in order to cover cash costs, labour and investment.
The elements of the formula include:

(i) an index of dairy cash input prices to evaluate costs in dairy production (accounts for 45 per cent);

(ii) changes in the Consumer Price Index as a measure of changes in the earnings of operator and family labour, (accounts for 35 per cent), and

(iii) further 20 per cent of the formula which is not indexed and was established to reflect producers' capital and investment costs.

B. Internal prices and consumption

1. Retail and wholesale prices on major domestic markets

2. Factors which condition the evolution of internal consumption

For many years, butter consumption (per capita) has decreased. The main reasons being the perception that butter is an unhealthy product and also because of the always increasing price differential of butter over margarine. Consumer's tastes and preferences are changing. They want to reduce their consumption of high animal fat products. Efforts have been made to slow down this trend. The Dairy Bureau of Canada has put emphasis on publicity and research of dairy products. They work to increase consumer's confidence in butter, and attempt to increase cheese consumption through advertising. The main thrust of the cheese publicity was to make people aware of the array of high quality cheeses we have, and to identify cheese as an excellent source of proteins. Consumption of fluid milk has been assisted by school programmes in some provinces and joint industry/government advertising programmes.

Policies and measures affecting consumption

Direct subsidy: even though the subsidy is given to the farmers, it is directed to consumers because it keeps the prices lower than they would be in the absence of the subsidy.

C. Measures at the frontier

1. Customs tariff: no change from previous year.

2. Import Measures: no change from previous year.

3. Export Measures: Export subsidies, financed by levies on milk producers, are available for exports of skimmed milk powder and cheese. Producers also finance the costs of exporting certain whole milk products.

4. Description of internal regulations and of agreements governing on inclusion of products in tariff headings or sub-headings

5. Bilateral agreement: no change.