I. Adjustment policies in the dairy sector

The Canadian Milk Supply Management Committee has set the 1988-89 Market Sharing Quota (MSQ) at 47.3 million hecto-litres, with 46.0 million hecto-litres to satisfy domestic requirements and 1.3 million hecto-litres as a sleeve to ensure that 100 per cent of the quota is produced. This is no change from the final MSQ for 1987-88. The industrial milk target return was maintained at $47.06/hlt. of standard milk, effective 1 February 1989.

The CMSMC has set the levy on all in-quota milk at $3.00/hlt., a 25 per cent decrease from the levy for 1987-88. Because of the stronger world market prices for all dairy products, the over-quota levy has been set at $26.00/hlt.

II. Changes in the factors affecting the dairy sector

The effects of the 1988 drought on milk producers in Canada were location specific. Growing and harvesting conditions for feed and silage varied among regions from excellent to very poor. As well, producers in some parts of the country were able to get only one cut of hay. This has led to a significant increase to some producers in their cost of home-grown feed per hecto-litre of milk produced. However, costs for the purchase of concentrated feed are estimated to be significantly higher all across Canada.

Despite the drought, small price increases are anticipated for dairy products in 1988-89 and this price stability should encourage growth in the consumption of some dairy products.