International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

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

CANADA

I. Adjustment in the dairy sector

The Federal Government recently delegated the responsibility for setting prices for dairy products to the Canadian Dairy Commission (CDC) as recommended by the Dairy Task Force on national dairy policy. After meeting with the restructured Consultative Committee, the CDC announced that effective 1 August 1990, the target price for industrial milk would be increased by 2.6 per cent to Can$48.69 per hectolitre. As well, the support price for butter rose from Can$5.167 to Can$5.331 per kilogramme and the skim milk powder price was raised to Can$3.130 up from Can$3.046 per kilogramme.

At the July meeting, the Canadian Milk Supply Management Committee (CMSMC) approved a 3 per cent reduction in the Market Sharing Quota (MSQ) to be effective in the 1990-91 dairy year. This is the second reduction in MSQ to take place in 1990. As a result, it is expected that many provincial boards will not have enough quota in their reserve to absorb the quota cut and, therefore, will have to reduce individual producers’ quota holdings.

This 3 per cent cut in quota is necessary because of a decrease in the estimated domestic requirements of industrial milk which is due to a reduction in domestic requirements for butterfat and increased skim-off from the fluid sector as the result of more and more low-fat fluid milk sales.

The CMSMC also agreed on a new levy structure. The blended in-quota levy has been set at Can$3.44 compared to Can$2.90 per hectolitre in the previous dairy year. The over-quota levy has been raised to Can$33.00 from Can$28.71 per hectolitre. These increases are due to three factors: the lower returns from the exports of dairy products, the recent increase in support prices for butter and skim milk powder and the appreciation of the Canadian dollar via-à-vis the US dollar.

90-1340
II. Changes in factors affecting the dairy sector

Fluid milk sales in the 1989/90 dairy year were virtually unchanged from the previous year, but industrial milk and cream sales were down 3.3 per cent. Sales for standard milk, i.e. containing 3.25 per cent butterfat, continued their decline and should be 7.5 per cent below year earlier levels. Sales of low-fat milk on the other hand increased by 2.5 per cent. This trend towards low-fat milk is expected to continue. The recent introduction of 1 per cent milk in some provinces will mainly affect sales of 2 per cent milk. However, it will increase the fluid milk skim-off, putting further pressure on the size of the MSQ.

Production of cheddar cheese in the 1989-90 dairy year is estimated to be down by 4.4 per cent from the previous dairy year. Domestic disappearance of cheddar cheese may be down by 3.7 per cent over the same period. Production of specialty cheese will be very close to last year’s level showing a decrease of 1 per cent. Domestic disappearance is estimated to increase by 2.6 per cent, continuing the upward trend. Total cheese consumption, however, was down from last year. In the current dairy year, cheese production is expected to increase by about 4 per cent over the previous dairy year.

Butter production in the 1989/90 dairy year, is estimated to be down 2.4 per cent from the previous dairy year, while domestic disappearance fell by 3.7 per cent. Butter stocks remain high, close to 25 million kg. Butter exports increased to 6.3 million kg. from 0.21 million kg. in the previous dairy year, mostly in the form of unsalted butter, shipped to Algeria, Morocco and Egypt. Butter production in the current dairy year is expected to fall by 6 per cent.

Skim milk powder production in the 1989/90 dairy year should show a decline of approximately 9.9 per cent, while domestic disappearance is expected to return to the levels reached two years ago, significantly higher than last year. Year-end stocks are expected to be down by 7.5 per cent from 31 July 1989 levels. Production in the next dairy year is forecast to decrease somewhat, but exports may be higher.

Exports of concentrated whole milk fell significantly last dairy year, mainly because of lower exports to Libya. Production was also lower, from 59 million kg. in the 1988/89 dairy year to 47.0 million kg. in the 1989/90 dairy year.
**MILK PRODUCER PRICES**

*Average Price Actually Received by Farmers*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Price in Can$/hl. (before deductions and excluding additional payments)</td>
<td>43.83</td>
<td>44.32</td>
<td>45.10</td>
</tr>
<tr>
<td>2. Quality standard kg. of fat/hl.</td>
<td>3.60</td>
<td>3.60</td>
<td>3.60</td>
</tr>
<tr>
<td>3. Deductions to be made from these prices*</td>
<td>5.38</td>
<td>4.75</td>
<td>4.90</td>
</tr>
<tr>
<td>4. Additional payments to be made (e.g. subsidies, grants)**</td>
<td>3.60</td>
<td>3.55</td>
<td>3.34</td>
</tr>
</tbody>
</table>

*Includes transportation cost, promotion and advertising fee, administration fee and levies collected on milk produced inside and above quota.*

**Averaged on total milk shipments, however only industrial milk production required to meet Canadian needs, is eligible for the additional payment, at a rate of Can$6.03/hl. In 1988, 64 per cent of the shipments were industrial milk and the remaining 36 per cent was for fluid purposes.