April 20, 2017

Facts about Canada/U.S. Dairy Trade

In light of recent comments made about the Canadian dairy system and its impact on some American dairy farms, Dairy Farmers of Ontario (DFO) is taking this opportunity to provide you with some feedback and perspective.

- DFO believes it is important for all concerned to be made fully aware that **there has been no change to any regulations affecting imports or border controls between the U.S. and Canada**. All exports from the U.S. and imports into Canada are permitted as has been and there are no new trade policies.

- Contrary to any suggestion that Canada is protectionist, the U.S. enjoys a significant dairy trade surplus with Canada each year. The U.S. exports more dairy products to Canada than they import from Canada.

- The fact is the U.S. enjoys a massive dairy trade surplus with Canada.

- The fact is Canada runs a significant annual dairy trade deficit, such that we are a significant net importer of dairy products.

- According to the Canadian Dairy Commission and Government of Canada public statistics, in 2016 Canada imported a total of almost $1B ($971M) in dairy products, and ran a total dairy trade deficit of almost $735M.

- In 2016, almost two-thirds (2/3) of Canada's imports were from U.S. ($557M), and the U.S. enjoyed a net trade surplus with Canada of almost half a billion dollars ($445M).

- This lopsided dairy trading relationship (in favour of the U.S.) is long-standing. In fact, Canada's dairy trade deficit has more than doubled in the last 10 years alone such that Canada's trade deficit in 2007 was $338M.

- Canada's dairy system is designed to avoid the very crisis that some farmers in the U.S. are facing with the sudden cancellation of dairy contracts. However, Canadian dairy practices are not to be blamed for the conditions U.S. processors and farmers are facing.

Top Line Numbers

- Canada imported $970M, exported $235M, trade balance was $735M.
- Canada imported $557M from U.S., exported $113M, so U.S. enjoyed a net trade surplus of $445M (i.e. 61% of Canada's overall trade deficit).

For the most up-to-date information and media links, please visit DFO’s Twitter page: https://twitter.com/DairyOntario

Dairy Farmers of Canada has also posted a blog entry on the topic.

Farm Policy

This week, Grassland Dairy Products Inc. announced that it would be reducing its milk intake. As a result, 75 U.S. dairy farms will need to find another place to sell their milk. In the letter explaining their decision, Grassland took aim at the Canadian dairy industry, suggesting that there have been changes to regulations in Canada that impact their business, and, therefore, that Canada is to blame for their decision. Canadian dairy farmers can’t express enough how unfortunate it is that our fellow American producers and their families will now face the repercussions of the decision made by Grasslands. Canadian producers can certainly sympathize – and would never wish this upon anyone. However, we must nonetheless point out the reality that there have been no changes to Canadian regulations related to dairy imports, or changes to Canadian dairy tariffs, and we want to set the record straight.
At the root of the American dairy sector’s argument is the recent implementation of a new class of milk (Class 7) in Canada. Unfortunately, their argument is filled with falsehoods and half-truths. Despite what has been said by the American dairy sector, Class 7 is a domestic policy, the sole purpose of which is to allow the Canadian dairy sector to be able to respond to a changing Canadian market environment. To be clear: the implementation of Class 7 does not block imports, or restrict American access to the Canadian market - Canadian businesses are still free to choose their own suppliers, just like American companies do.

The truth is, both the U.S. and world dairy markets are currently over-saturated, which has led to low prices at the farm-gate and a lower price received by the processors. Simply put, in the U.S, and around the world, too much milk is being produced. In the U.S, the oversupply of milk is exacerbated in an environment where processing capacity is lacking. When too much milk is produced, prices crash and there is no incentive to invest in increased processing capacities. The end result is job loss, loss of income for farmers, and in some cases, farmers having to shut down their farms. By contrast, in Canada, supply management (literally matching supply with demand) avoids overproduction, and reduces the impact of devastating market fluctuations, such as those that the U.S is currently experiencing.
We know that dairy producers in the U.S are going through tough times; however, incorrectly laying the blame on an unrelated Canadian domestic policy will not improve their situation. To further put things into perspective, Canada only has a population of approximately 36 million people - less than the state of California.

No matter how one views the situation, exports to a comparatively small Canadian market - one that is already filled with Canadian milk - are a drop in the bucket that will not solve the problems currently impacting the U.S dairy industry.

It is wrong to use Canada as a scapegoat for the situation in the United States.