



A VALUED SYSTEM

Canadian dairy farmers need only look abroad to better appreciate mechanism that allows them to earn fair return for their labour and enables thriving industry

Imagine not having a market to sell your milk. Dairy farmers in New York, Pennsylvania and Vermont were facing this grim possibility before Dairy Farmers of America (DFA), a national co-operative, decided to enter into a six-month agreement with the National Farmers Organization (NFO). This means the 180 or so dairy farmers in those regions who are members of NFO have a temporary reprieve from worrying about having a place to sell their milk after Dec. 1.

According to an article by Jacqui Fatka from *Feedstuffs*, for the last 15 years, NFO had contracted with DFA's Dairy Marketing Services (DMS) in New England to sell its members' milk. In late 2016, DMS issued a 12-month notice of termination to NFO in the northeast part of the country. In the article, DMS spokesperson Jennifer Huson explained for the last several years, DMS has been working through unprecedented marketing dynamics in the region.

"As these conditions continue to challenge our milk marketing systems, we have been forced to evaluate our business model and make some difficult decisions, including how we work with co-operatives to market milk on their behalf. In situations where there is no longer processing capacity in the region, we have been forced to work with those co-operatives to terminate contracts," Huson is quoted in the article.

Another article entitled *Northeast struggling for profits in overwhelmed milk market* by Charlene M. Shupp Espenshade, said earlier this year Pennsylvania and New York dairy farmers were struggling to find profits while waiting for supply and demand to come back into balance in the northeast dairy market. The article cited statistics from Farm Credit East's Northeast Dairy Farm Summary, which found the average milk price in the northeast in 2016 was US\$16.85 per hundredweight (equivalent to C\$49.27 per hectolitre). Ag Choice Farm Credit's Dairy Industry Outlook report predicted a gross milk price of US\$18.50 per hundredweight (C\$54.09 per hL) for 2017 and slightly higher wages at US\$19 (C\$55.55 per hL) for 2018. The article also pointed out many farms are expected to have to borrow money to recapitalize their operations, while debt per cow is likely to increase.

When you think about this situation, and what dairy farmers in Wisconsin and Minnesota faced earlier last year after major processor Grass-

land Dairy Products Inc. notified them it would stop taking their milk after 30 days, it makes you keenly aware of the benefits and stability the supply management system offers to Canadian dairy farmers and their families, as well as processors. Yes, you've heard many times about the value of this system, which offers you fair returns for your labour, and a competitive market in which processors can innovate and thrive, but the message bears repeating over and over again. It wasn't that long ago, DFO decided to take the lead and implement an ingredients strategy to make skim solids competitive and encourage investment in a modern ingredient infrastructure to process more milk. This bold move later led to industry collaboration to implement a national ingredients strategy, which has so far resulted in investments in Ontario and Manitoba and, hopefully, other provinces. In today's marketplace, having a flexible and adaptable system is crucial to enable it to operate efficiently in the long term.

Supply management works—for the entire dairy industry and, most importantly, Canadian consumers. Why is that? It offers consumers a variety of dairy products, keeps prices stable, requires no government assistance, builds rural communities and, despite what some critics might say, allows a fair amount of dairy product imports tariff-free. In fact, we know Canada's border is quite open when, in 2016, Canada imported more than double what other countries, such as the U.S., permit.

Government support for this system is stronger than it's ever been. Both Ontario Minister of Agriculture, Food and Rural Affairs Jeff Leal and Ontario Premier Kathleen Wynne have recently stated they will continue to defend Canada's supply-managed sector (more on these recent statements can be found on pages 28 and 29). When you have that kind of backing, and an industry that is both thriving and growing, you realize there is much for which to be thankful.

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