



Open Letter To The Dairy Industry

Supply management has faced many challenges in the past and has survived four decades of change. While the system and its evolution to date have served us well, we feel that the present circumstances cause us to seriously question the direction our industry is heading in, and we need to voice our concern over the decisions being made on our behalf.

To recap, the government signed the last WTO agreement that put all agricultural commodities on tariff lines. In dairy, the protection came from these tariffs being set high to protect supply management from imports. At the time this worked, but a stronger dollar, and technological advancements that can separate milk into several different commodities are pressuring this protection. These commodities are now imported as blends in the case of butter oils or caseins reducing the need for Canadian milk.

To add to our difficulties, a WTO panel ruled that supply management constitutes an export subsidy for dairy products. This ruling resulted in the reduction of our export program.

The response to the lost markets (by 2.6% last year and possibly 4% to 6% this year) by our industry has followed two lines. The first was that the government should stop the imports of blended products that contain dairy ingredients. The second was to increase the price of milk to offset the income lost by reduced sales. Neither is working. The government and the industry have yet to win a panel decision that involves blends. Both have tried, but are having little impact on shifting world opinion on these policies. The increased price approach has only exacerbated processor incentives to look at lower cost alternatives, mainly blends.

These problems have been around for some time. The industry has spent considerable manpower and money lobbying the government, but the problem is ours. The ability of our industry to respond to rapidly changing markets is lost. The layers of dairy politics that include provincial boards, P5, Dairy Farmers of Canada, Canadian Milk Supply Management Committee, and Canadian Dairy Commission are impacting on our ability to manage and market milk.

LHO is urging members to write a letter addressed to the board of DFO, each of the P5 boards, and DFC. We need to convey our concerns to them. At this time they feel that only a small minority of producers are objecting to the direction chosen.

In the letter you need to address some or all of the following.

The price of milk has risen to the point that we are losing markets each time there is an increase. Consideration should be given to freezing or even reducing the price of milk. If the price of milk is to be reduced there needs to be a negotiated buy in from the processor to increase the use of Canadian milk. A frank and open discussion is needed here.

The second point to address is the streamlining of our industry. At the present time we are in a partial state of reorganizing that has become stalled. This has left us in a position where all decisions get buried a maze of politics. No one level of the existing structure can make a marketing decision without the possibility of impacting on the price of another's area. This has resulted in few resources being directed to slow market losses or into developing new ones.

We would suggest that the industry push ahead quickly to the final goal of a regional or national structure that services the needs of the Canadian dairy farmer. If this is an unrealistic goal then DFO needs to withdraw from P5 and with industry consultation refocus on Ontario needs and concerns.

If you take the time to address each these concerns in your own words, to each of the boards listed below, the impact will be greater than a form letter petition. Thank you for your attention to these problems; it is needed for the future of our industry.

Bob Kerr

Bob Kerr

Chair LHO

In order to gauge response to our encouragement, please send us a copy of your letter as well. If you disagree with the above argument we also want hear from you. In the past two years we have promoted discussion of these issues at evening programs held in conjunction with the Outdoor Farm Show in Woodstock, and we are considering follow up events in other parts of the province. Due to the informal nature of LHO we are not always sure of where our members stand so if you have a strong opinion on the future direction of supply management we would like to hear from you.

Addresses for the organizations that need to hear from you are as follows:

Dairy Farmers of Ontario
6780 Campobello Road
Mississauga, ON L5N 2L8

New Brunswick Milk Marketing Board
P.O. Box 5034
Sussex, NB E4E 5L2

Dairy Farmers of Canada
75 Albert Street, Suite 1101
Ottawa, ON K1P 5E7

Nova Scotia Milk Producers Assoc.
P.O. Box 784, 347 Willow St.
Truro, NS B2N 5E8

Federation des Producteurs de lait du Quebec
555, boul. Roland Therrien
Longueuil QC J4H 3Y9

P.E.I. Dairy Producers Assoc.
P.O. Box 335, 420 University Ave
Charlottetown, PEI C1A 7Z5