Dairy Farmers of Canada | Les Producteurs laitiers du Canada

2017 Pre-Budget Submission

Prepared By: Dairy Farmers of Canada

Submitted on: August 5th, 2017

Dairy Farmers of Canada | Les Producteurs laitiers du Canada

Introduction

DFC shares the concern of other agricultural groups that agriculture did not have a large place in the 2016 budget. The Canadian dairy sector makes a huge contribution to the Canadian economy. According to preliminary results from an Ecoressources study, in 2015, the sector contributed $19.9B to the GDP and $3.8B in tax revenues, and sustained 221,000 full-time equivalent jobs across the country. In addition, dairy is either the top or second agricultural sector in 7 out of 10 provinces.

Given the dairy sector's contributions to the national economy, it is important that the government do their part to facilitate the continued growth of the industry. In terms of budget 2017, this means: ensuring appropriate compensation for the impact of the CETA and TPP agreements; investing in processing infrastructure; investing in the implementation of the proAction initiative on farms; increasing funding for training and staffing at CBSA and CFIA; removing changes to Eligible Capital Property; and continuing to support dairy research.

The Canadian dairy sector plays a vital role in Canada's economic growth and prosperity. We already make a massive contribution to the country's economy and sustain a significant labour force across the country. The things we are requesting in this pre-budget submission will help us to increase these contributions; this doesn't just benefit the sector – it benefits all of Canada.

The Impacts of the CETA and TPP deals

CETA

To secure the CETA deal for Canada, 1.5% to 2% of access to Canada's dairy market was granted to the European Union. This will allow the EU to ship an additional 16,000 tonnes of fine cheese, and an additional 1,700 tonnes of industrial cheese into Canada; representing 4-5% of Canada's cheese market. The expropriation of the Canadian cheese market granted under CETA amounts to a loss of revenues for dairy farmers of between $95 - $116 million in milk sales going into cheese processing annually, in perpetuity.

TPP

The TPP deal, which has yet to be ratified by all participating countries, would add, according to the initial government estimate, a loss of 3.25% of Canada's forecasted milk production in 2016. However, after running the numbers, DFC expects that the impact will amount to somewhere between 3.4%-4%. The milk displaced by this agreement will never be produced in Canada, and will result in perpetual lost revenue of between $190-$246 million/year for our farmers, and for the Canadian economy.

Dairy Farmers of Canada | Les Producteurs laitiers du Canada

Part 1 – CETA/TPP Compensation Package

The Original Compensation Package

On October 5, 2015, the government of Canada announced mutiple mitigation measures and a $4.3B compensation package for supply managed sectors, to be delivered over 15 years. It is important to keep in mind that although the original $4.3 billion/15 years compensation package represents a significant sum – this is a government investment into the supply managed sectors to mitigate the coming perpetual losses from the CETA and TPP deals.

De-Linking CETA and TPP Compensation

Notwithstanding that the October 5th package was intended to cover both CETA and TPP, the government of Canada has made it clear that they hope that CETA will be ratified later in 2016, and be implemented provisionally sometime in 2017. DFC has therefore requested that CETA compensation be de-linked from TPP, which will allow it to be delivered as intended, immediately upon CETA's entry into force, independent of what is happening with TPP. The portion of the package associated with TPP could then be reasonably added at such a time when TPP comes into force.

Exclusion of Dairy Products from the Duties Relief Program

The original mitigation measures included the exclusion of dairy products from the Duties Relief Program; a longstanding issue for Canadian dairy farmers. Resolution on this issue falls under the responsibility of various government departments, including the Department of Finance, and is urgently needed. This should carry over into the CETA compensation package and be dealt with immediately.

Further details of the original proposed package can be found here. DFC would be happy to further discuss the framework for CETA compensation with the Finance committee.

Part 2- Government Investment into the Future of Canada's Dairy Industry

Investing in Processing Infrastructure

Canadian dairy processing infrastructure has aged and reached its capacity. Processors need incentives to invest. The dairy industry could use infrastructure money to stimulate investment into modern dairy processing plants to secure jobs in Canada. This money would help to stimulate and modernize the industry in preparation for the impact of market concessions granted in the CETA and TPP deals; and to create new-value added products to increase the industry's overall competitiveness. This would also be an opportunity to introduce new, and more energy efficient technology to further reduce the environmental impact of our sector and benefit the Canadian consumer.

The construction of new processing infrastructure will take several years to complete – the time for this investment is now.

Investments into the Promotion of Canadian Dairy Products

The government has a commitment to promote Canadian products, domestically and abroad. We believe the government can do more in promoting Canadian dairy products, given the economic importance of our dairy industry and the excellence of our products.

Government Investment in the On-Farm Implementation of the proAction Initiative

In April 2016, DFC officially launched our sustainability initiative known as proAction. The proAction initiative includes national standards for milk quality, food safety, animal care, traceability, biosecurity, and the environment. This program is vital to maintaining public trust, and contributes to the sustainability of our farms - but comes at a significant financial cost to Canadian dairy farmers.

In June 2015, DFC asked the previous government to share in the estimated $200 million investment (over ten years) for implementing proAction on Canadian dairy farms. We believe it would be a constructive way for the Canadian government to invest in a sustainable dairy industry, and fulfill one of its agricultural policy goals of maintaining Canadian trust in this country's agriculture and food.

Continued Investments into Research Funding

Dairy Farmers of Canada and its provincial members have adopted a National Dairy Research Strategy to invest collectively in our future. DFC and its members are working to coordinate investments in dairy research, and leverage partnerships at all levels (provincial/national) to maximize farmers' investments in research and generate targeted outcomes to advance the sector.

In a letter dated July 22, 2016, DFC and several agriculture and agri-food associations, stressed that significant investment is needed to renew and reinvigorate agriculture and agri-food research to a more meaningful level, with investments focused not only on addressing priority research outcomes, but also on developing critical research expertise and infrastructure. Research is a catalyst to innovation, and innovation a catalyst toward growth. Agriculture and agri-food is an important economic driver of this country, which would definitely benefit from increased funding in research.

In this context, DFC believes the federal government should:

- Continue its partnership investments in collaboration with DFC and other dairy organizations to support research activities and initiatives targeting producers' priorities and strategic objectives as identified in its National Dairy Research Strategy.
- Renew the Agri-Science Cluster Initiative under the next Agriculture Policy Framework and increase government funding for the Initiative, including support for the necessary related administration / management / coordination activities. The government to industry ratio of

investment should remain 75:25 (it could be closer to 50:50 with private commercial company investments). In order to maximize efficiency and not break the research continuum, there should be no gaps between the actual and Next Policy Framework program and funding.

- Keep investing with industry to rapidly and efficiently disseminate research results, new knowledge and new technologies.

Cancelling changes to Eligible Capital Property

The provision on "Eligible Capital Property" contained in the last budget represents a tax increase (estimated at 220$ million) on the backs of farmers and small businesses. This is counterproductive to generating jobs, and building the market. DFC is seeking that the Minister of Finance consider a reversal of this policy.

Investments into CBSA and CFIA Training and Staffing

Government agencies such as CBSA and CFIA play a critical role in supporting Canada's supply managed system. It is critical that the government ensures appropriate funding for the right level of training and staffing at CBSA and CFIA. When the rules are clear and CBSA and CFIA are well staffed, it facilitates trade and ensures fairness for the respect of Canadian trade rules, rights and obligations.

Conclusion

As a member of the Canadian Federation of Agriculture, DFC would like to note our support of the recommendations contained in the CFA pre-budget submission.

Canadian dairy farmers focus on supplying the Canadian market with some of the world's highest quality, safest, most sustainably produced dairy products; this is a role that we do not take lightly. This is why we are asking the government to help foster strategic investments that will allow us to better service the market. The Canadian economy, especially in rural areas, is favoured when more milk is produced on farms and processed here. Investments will allow some existing producers to expand or modernize; it will make it easier for new farmers to enter into the business; help farm transfers (leading to fewer farms exiting the industry); and create more jobs in Canada. All of this translates into a healthier, more vibrant Canadian economy.

About Dairy Farmers of Canada

Founded in 1934, DFC is the national organization defending the interests of Canadian dairy farmers and striving to create favourable conditions for the Canadian dairy industry. Working within supply management, DFC promotes safe, high quality, sustainable, and nutritious Canadian dairy products made from 100% Canadian milk through various marketing, nutrition, policy, and lobbying initiatives. Driven by a strong sense of community and pride, DFC and Canadian dairy farmers actively support a number of local and national initiatives.