



Five Myths and Facts about Dairy in NAFTA

MYTH: The Canadian dairy supply management program is a major cause of the current crisis in US dairy markets.

FACT: Canada's supply management program has been in operation for more than 40 years, long before US dairy markets entered into the current difficulties. The U.S. crisis is due to massive oversupply linked to the growth of mega-sized dairy operations, and years of prices below the true cost to farmers. Most Canadian dairy farms are family owned and operated, and this program helps them to stay on the land without reliance on public subsidies. The U.S. agreed to Canadian restrictions on dairy imports in NAFTA, which comply with WTO rules that permit import restrictions where domestic production is also limited. Import restrictions along with domestic production controls make it possible for Canada to balance supply and demand at fair prices for both farmers and consumers.

Recent sharp increases in consumer demand for butter have reduced the market for high-protein milk products. Over the last few years, U.S. dairy processors have exported a high-protein product (ultrafiltered milk or diafiltered milk) as a concentrated protein product under customs definitions, thereby avoiding Canadian dairy tariffs. It was used in cheese and other food production. As the market for these inputs has rebalanced, the Canadian Dairy Commission decided to create a new class of milk products, Class 7, for ingredients like protein concentrates, skim milk and whole milk powder. This is part of a National Ingredients Strategy designed to ensure all components of milk production are fully utilized. US processors continue to export Class 7 and other dairy products to Canada, although at lower prices than before the ingredients strategy was put in place.

MYTH: Canada is dumping excess dairy production on world markets, depressing global prices

FACT: While Canada, like the U.S., exports dairy products, the volume of Canadian exports is much lower than U.S. exports. According to the Canadian Dairy Information Centre, the value of Canadian dairy exports was CA \$235 million (about US \$181 million) in 2017. According to the U.S. Dairy Export Council, the value of U.S. exports in January 2018 alone was US \$400 million. While Canadian exports increased in late 2017 as part of the rebalancing involved in the ingredients policy, they have since returned to much lower levels. In any case, the volume of their exports as a percentage of global exports is much too low to influence international prices.

MYTH: Opening up Canada's dairy markets in the NAFTA negotiations will resolve the problems confronting US dairy farmers

FACT: Even if NAFTA member countries' dairy market was completely liberalized, there is not enough Canadian demand for dairy products to make a meaningful contribution to U.S. dairy farmers' incomes or stability. A better solution would be to amend the Farm Bill programs to prioritize U.S. processor purchases from smaller family farms at prices that meet their cost of production. More than 50 US farm, labor and consumer organizations, led by the National Family Farm Coalition, recently sent a letter to Members of Congress and USDA insisting on a series of changes designed to prioritize production and sales by family farms. It calls for changes in the Farm Bill and USDA programs to remove excess supply from the market, and increase the current price floor. In the longer term, the groups call for dairy supply management programs in the U.S.

MYTH: Canada's dairy supply management program is illegal under current trade rules

FACT: The Canadian government has continuously adjusted its dairy supply management program to comply with WTO rules. In 1989 the US-Canada FTA included Canada's WTO-compliant import restrictions and were brought forward in the 1994 NAFTA agreement. Canada has made some concessions for cheese imports under CETA, as well as some market opening under the Trans Pacific Partnership. The Canadian government is in no position to make further concessions without seriously undermining the program, something they are unlikely to do, especially given the importance of voters in Quebec and Ontario (where the majority of Canadian dairy farmers are located) in national elections.

MYTH: US dairy farmers are united in their demands to open up Canadian markets

FACT: U.S. family farmers, in contrast to agribusiness exporters, recognize that Canada's program has helped to keep farmers on the land, contributing to their communities' economic viability, and that we should learn from their experiences rather than seek to destroy that program. The U.S. NFU, NFFC, Rural Coalition, as well as the Teamsters Union (which includes members in the dairy processing industry), IATP, Food and Water Watch and Western Organization of Resource Councils, have consistently supported supply management since the NAFTA renegotiation talks began, starting with a joint statement in January 2017 and continuing with testimony and public comments to USTR throughout the negotiating process.

TRUTH

The combination of US agricultural and trade policies has decimated family farms and increased corporate concentration in agriculture. Since NAFTA was implemented, the U.S. has lost some 247,000 family farms. The current system is unsustainable in both environmental and economic terms, as farmers are compelled to export at below the true cost of production. The goals of the Farm Bill and of U.S. trade and agriculture policies should be to ensure fair, healthy and sustainable production. For that to occur, we need changes to both the Farm Bill and trade agreements that prioritize local production and consumers' right to know about their foods. Dismantling Canada's successful supply management program will do nothing to achieve those goals.

Based in Minneapolis with offices in Washington, D.C. and Berlin, Germany, the Institute for Agriculture and Trade Policy connects the dots of global justice to ensure fair and sustainable food, farm and trade systems. www.iatp.org

The National Family Farm Coalition (NFFC) was founded in 1986 and represents family farm, fishery, rural and food sovereignty advocacy organizations working to change federal policy to bring fair prices, local jobs and fresh foods to everyone. www.nffc.net