A BIRD IN THE HAND IS WORTH TWO IN THE BUSH!

Canada’s top negotiators in the free-trade agreement with the European Union assured us right up to the last minute that they would not give additional access to the Canadian cheese market. By granting Europe access to an additional 17,700 tonnes of cheese, the Canadian government has betrayed our trust.

Europe is targeting the retail high-quality specialty cheese market. This means that Canada is transferring to the subsidized European dairy industry the result of many years of market development efforts by our milk producers and cheese makers. Instead of growing, our industry will shrink, a concrete and direct net loss. We expect to receive the full compensation measures that the federal government has committed to. These measures must be innovative, strategic, well targeted and contribute to the development of our industry.

Quebec has approved the agreement in principle, but has insisted that the details of the compensation measures be known before it will ratify the final agreement. Given the importance of the Quebec cheese sector, it will have to assume a leadership position, with the dairy sector partners, to obtain measures consistent with expectations before ratification.

Other impacts of the agreement are cause for concern. The opponents of supply management, for example, will not fail to take advantage of this breach to call for deregulation of the dairy sector, on the pretext that we also could benefit from export opportunities. Europe made this choice in 2003. The European processors took advantage of this to drag the price of milk downwards for export. But at what cost for the production sector and the taxpayers? Since the 2008 crisis, dairy producers have not returned to profitability, despite subsidies that account for the majority of their income.

I am also concerned about the outcome of the current negotiations of the Trans-Pacific Partnership. In view of Canada’s performance in negotiating the agreement with the European Union, there is real cause for concern. We must follow the progress of these negotiations very closely and ensure that Canada does not make any more concessions in our sector.

Supply management saves the public Treasury hundreds of millions of dollars a year in subsidies. We generate major economic spinoffs, year after year: close to 83,000 jobs, over $5.4 billion in contributions to the GDP, and $1.2 billion in economic spinoffs, in Quebec alone. In addition to contributing to the development of our industry.

The French multinational Lactalis processes 15.5 billion litres of milk annually, or more than double Canada’s milk production.

Lactalis manufactures annually 170,000 tonnes of “appellation d’origine contrôlée” (AOC) (controlled designation of origin) cheeses, such as Brie de Meaux, Pont-l’évêque, Comtés, Roqueforts and Reblochons, in all 36 AOC cheese varieties.

These cheeses are manufactured on a large scale with milk produced at less than the cost of production by dairymen who keep their business alive only through the subsidies granted by the European Union.

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The impacts of CETA

On October 18, 2013, the Government of Canada concluded an agreement in principle with the European Union (EU) on a Comprehensive Economic and Trade Agreement (CETA). A comprehensive agreement means that it was negotiated in multiple economic sectors and hence concessions can be made between sectors. It is currently an agreement in principle and to become effective it must be ratified by the House of Commons, the European Parliament, and the Parliaments of all Canadian provinces and EU member States. Ratification is expected to be completed within two years.

This agreement in principle includes a major concession in the dairy sector, namely, additional preferential access to our cheese market for 16,000 tonnes of specialty cheese and 1,700 tonnes of industrial cheese.

Although the Government is trying to minimize the impact of this agreement, the concession granted to the EU will mean that 180 million litres of milk will no longer be produced or processed here. This is $150 million less in sales for producers and over $300 million in lost cheese sales. This will have an impact on employment and collective wealth. In the past 20 years, our milk producers and cheese makers have invested at least $100 million to develop this market. Canada has just handed over the results of this investment to the Europeans!

The additional access given to the EU for 17,700 tonnes of cheese, including 16,000 tonnes of specialty cheese, could represent up to 30% of the retail market for these cheeses. Based on the minimal annual growth rate of the specialty cheese sector of 1%, it is at risk of declining by 25% if the new tariff quota is implemented within 5 years as is currently proposed. For all cheese categories (specialty and industrial), the additional imports will exceed the forecast 0.5% growth rate. The Canadian cheese industry hence risks contracting by 1.7% if the new tariffs are phased in within 5 years.

Quebec will be especially affected by these concessions, particularly by the access granted to our specialty cheese market. With over 400 cheese varieties, Quebec is Canada’s top cheese producer. In fact it produces over 50% of Canadian cheeses and over 60% of specialty and artisanal cheeses. Furthermore, Quebec has seen outstanding growth in the number of small artisanal cheese makers which has now risen to 51, an increase of nearly 50% since 2005.

The Quebec dairy industry generates 8,000 jobs and contributes tax benefits of $1.2 billion and $5.5 billion to the Gross Domestic Product (GDP). Across Canada, this industry generates 218,330 jobs, contributes $16.2 billion to the GDP and provides $3 billion in employment and collective wealth.

European subsidies

The EU farmgate price of milk has been deregulated since 2007. This has allowed its processors to be competitive on the export market and to compete effectively with imports domestically. As a result, EU milk producers have been making losses since 2008. They have been able to keep their businesses alive through subsidies granted under the Common Agricultural Policy (CAP).

The annual budget of the CAP is close to $80 billion. The direct payments made to farmers are based on crop acreage, regardless of the commodity they produce. This complies with the World Trade Organization (WTO) rules but gives a competitive advantage to Europe. As an example, in France, the average assistance given to a specialized dairy farm in 2010 was 375 €/ha ($532/ha). Even so, the situation of European producers is not rosy. According to a survey conducted by the European Milk Board (EMB), the average farmgate price in 2012 was 31.4 €/100 litres, while the average cost of production was 48.83 €.

An expert report commissioned by the same organization estimated that EU subsidies accounted for 64% of European producers’ operating income (excluding the assistance provided by member States).

CETA will not open new export markets for Quebec milk producers and cheese makers

Unlike the European Union, Canada sets the price of milk based on the cost of production on the farm. The producers’ revenue is derived entirely from the marketplace, without subsidies. It is thus higher than in Europe. The irony of the situation is that if producers reduce their price to that of the world market, the World Trade Organization (WTO) views this as giving processors the equivalent of an export subsidy. A condition for entering the European market is that there must be no subsidies. Therefore, we may only export products made from milk produced at the full Canadian market price. For all practical purposes, this closes the export door to Canada.

These conditions bring to light the hypocrisy of the trade rules. It is permitted to export if production is deregulated, which compels dairy farmers to produce below their cost of production, as is done in Europe. However, these losses may be compensated by decoupled subsidies.

Solidarity March

On November 28, 2013, dairy industry partners participated in a solidarity march to protest against Canada’s cheese-related concessions to the European Union in an effort to firm up the Comprehensive Economic and Trade Agreement (CETA).

The demonstrators placed a bouquet of 17 black balloons bearing the words Fromages d’ici in front of the National Assembly and the Canadian Border Services Agency. These balloons symbolize the 17,700 tonnes of domestic cheese that will be replaced by European cheese as a result of CETA.

The demonstrators were met at the National Assembly by politicians, including the Quebec Minister of Agriculture, François Gendron, and the leader of the Quebec Liberal Party, Philippe Couillard. Mr. Gendron confirmed the Quebec government’s commitment to compensate producers for losses caused by CETA.

Some 300 people were present for the event, including delegates from the FPLQ, grassroots milk producers, cheese makers, leaders of Agropur, Nutrinor and the Coop Fédérée, as well as representatives from the Union des producteurs agricoles, the specialized federations (lamb, sheep, goats), the regional federations, the Association des fromagers artisanaux du Québec, milk producer associations in other provinces, and producer partners.

For further information, please contact:

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