DID YOU KNOW…?

The growth of Canadian cheese consumption will not cancel out the effect of additional cheese imports from the European Union (EU)?

- The 17,700 additional tonnes of cheese imports to Canada will displace 180 million litres of local milk production, resulting in total losses of close to $300 million a year for Canadian milk producers and cheese makers.

- The additional access given to the EU for 17,700 tonnes of cheese, including 16,000 tonnes of fine cheese, could represent up to 30% of the retail market for these cheeses. Based on the annual growth rate of the fine cheese sector, which is only 1%, this sector is at risk of declining by 25%, if the implementation of the new tariff quota is spread over only 5 years.

- For all cheese classes (fine and "industrial"), the additional imports will exceed the forecast 0.5% growth rate. The Canadian cheese industry risks contracting by 1.7% if the implementation of the concession is spread over 5 years.

Will imports have a negative impact on local cheese, even if Quebecers love it?

- The challenge for our cheese makers, especially for artisan cheese makers, is to gain access to grocery store shelves to sell their products. Shelf space will not increase with the arrival of 16,000 additional tonnes of cheese. Nor will Quebecers instantly consume 17,700 more tonnes of cheese. Competition between European cheese and local cheese will first play out with retailers, to gain access to their shelves, and then with consumers.

- European cheese is manufactured on an industrial scale and heavily subsidized. It will enter Canada at dumping prices. Retailers are likely to give it preference over local cheese and take advantage of the discount to increase their already high margins on cheese sales (see below). This will deprive our cheese makers of their main access to consumers.

Won't consumers win by having access to more European cheese varieties?

- In one kilo of cheese, regardless of whether its retail selling price is $12 or $60, the value of the milk is always a little under $8. For example, as the following graph shows, the producer's share of a cheese variety retailing at $40.90 per kilo is 18%, while the combined margin of the distributor and the retailer is 62%. Even if producers donated their milk to the cheese maker, the retail price would be practically the same.

- Even if a retailer procures a European cheese for a lower price than a local cheese because the milk used to make it is subsidized, the retailer will maintain the same margin, or take the opportunity to increase it. Consumers will see virtually no difference in retail prices. Time and again experience has shown that discounts on raw materials are rarely passed on to consumers.

Won't CETA open up new export markets for Quebec dairy producers and cheese makers?

- Europe protects its market by subsidizing its dairy producers so that they can sell their milk to cheese makers below their cost of production. As a result, the wholesale price of European cheese is competitive with world prices, protecting the domestic market against imports. The EU imports around 1% of its cheese requirements.

- WTO rules allow the EU to subsidize producers, because the generous subsidies paid are based on cultivated area, regardless of the type of production. This is called a decoupled subsidy. The annual budget of the European Union's Common Agricultural Policy (CAP) is close to $80 billion. A recent expert report, commissioned by the European Milk Board (EMB), estimates that subsidies as a share of European dairy producers' income rose from 44% in 2006 to 64% in 2009, excluding the assistance the EU allows member states to pay producers.

- However, in Canada, the price of milk is set based on the cost of production on the farm and comes entirely from the market, without subsidies. It is therefore higher than in Europe. The irony is that the WTO has ruled that if we lower our prices to match those of the global market, this will correspond to an export subsidy. Yet the condition for entering the European market is that there must be no subsidies. We can only export products made of milk produced at the full Canadian market price.

- In conclusion, the trade rules are total hypocrisy. It is permitted to export if production is deregulated, which obliges dairymen to produce below their cost of production, while it is also permissible to offset these losses with decoupled subsidies.

Canada did not have to make concessions on cheese in these negotiations?

- Since 1989, when the first free trade agreement was concluded with the United States, Canada has signed nine other trade deals, including NAFTA. Supply management has always been excluded from these negotiations, without hindering the conclusion of the agreements, since all countries have sensitive sectors to preserve. In 2009, however, when the negotiations with the EU were announced, the two parties declared they were putting everything on the table, excluding production subsidies, but including supply management insofar as Canada was concerned. The same situation prevails in the negotiations for the Trans-Pacific Partnership, which Canada recently joined.

- However, the Government of Canada has said time and again, including in the days just prior to the conclusion of CETA, that it was possible to reach an agreement without touching supply management, and that it was entirely possible to obtain additional access for the pork and beef sectors without granting additional access for cheese. The Comprehensive Economic and Trade Agreement (CETA) concluded with Europe, as the name indicates, is a comprehensively negotiated agreement, in which concessions were made between sectors, and not compartmentalized within the agricultural sector. The Government of Canada broke its commitment at the last minute.