

**Written Submission for the Pre-Budget Consultations
in Advance of the Upcoming Federal Budget**

By: Ontario Dairy Council

RECOMMENDATIONS

Recommendation #1: That the government fulfill its promise to provide “full and fair compensation to dairy processors” for the lost market share caused by Canada’s three recent trade agreements.

Recommendation #2: That the government allocation all dairy tariff rate quotas (TRQ’s) to dairy processors who currently manufacture dairy products in Canada.

Recommendation #3: That the government implement new programs or expand existing programs so that dairy processors can qualify for COVID relief programs and prepare for the future.

OVERVIEW

Ontario Dairy Council (ODC) is the provincial not-for-profit trade association representing the interests and concerns of dairy processors in Ontario. ODC asks that the Government fulfill its promise to provide “full and fair compensation” to dairy processors for the reduction in domestic market share caused by Canada’s three recent trade agreements (CETA, CPTPP, and CUSMA). ODC Members also request equitable support for its sector to manage the challenges that resulted from the COVID-19 pandemic. Ontario’s dairy processors require support from the government to ensure the sustainability of the dairy processing sector in Ontario.

RECOMMENDATIONS

Recommendation #1 – Full and Fair Compensation

Over the last seven years, the Canadian Government has signed three new trade agreements that will result in significant losses, representing approximately 10% of its market or \$320 Million in annual sales (when fully implemented), for Canadian dairy processors. Furthermore, export restrictions on skim milk powder, milk protein concentrates and infant formula, which were negotiated by the Canadian Government as part of CUSMA, coupled with July 1, 2020 entry into force (one month early) result in additional multi-million-dollar impacts for dairy processors at the most inopportune time.

These companies are now challenged with greater market instability and working diligently to mitigate the financial losses caused by increased domestic market access to CETA, CPTPP, and CUSMA trading partners. For dairy processors to have sustainable operations within Canada’s supply managed industry, stable conditions are required.

The Federal Government has repeatedly committed to a compensation package for processors but to-date, only producers (farmers) have received support.

ODC asks that the government fulfill its promise to provide “full and fair compensation to dairy processors” for the lost market share caused by Canada’s three recent trade agreements.

Recommendation #2 – Dairy Tariff Rate Quotas (TRQs)

All dairy processors, from small artisanal operations to large multi-nationals, will feel the impact of these trade agreements as the committed market access through dairy imports arrives in Canada displacing domestically processed dairy products. In fact, dairy processors are the most significantly impacted by these dairy imports - more so than any other stakeholder in the dairy supply chain. One way to partially mitigate the lost sales is to allocate dairy tariff rate quotas (TRQs) to dairy processors. Most of the CPTPP and CUSMA TRQs were already allocated processors – this should continue in the future and be extended to WTO and CETA TRQs. This will enable processors to offset lost sales, minimize cannibalization to their current domestic product offerings and divert resources into innovation and investment rather than into efforts to recoup lost markets.

As such, and in addition to the promised compensation, **ODC asks that the government allocate all dairy tariff rate quotas (TRQ's) to dairy processors who currently manufacture dairy products in Canada.**

Recommendation #3 – Support for COVID-19

Dairy processors are among those named as essential services during this COVID-19 situation. While they continued to work through the entire pandemic ensuring that grocery stores were stocked with sufficient dairy products, many do not meet the criteria for COVID relief programs. Processors lost up to 80% of their food service business overnight, incurred significant revenue losses due to excess inventory and short-life inventory, and continue to deal with employee absenteeism/apprehension. At the same time, they are subjected to millions of dollars in new costs (plexiglass, face masks, sanitizers, social distance spacing, etc.) to keep employees safe during the pandemic. These new challenges and increased costs have further complicated an already delicate environment for dairy processors.

ODC asks that the government implement new programs or expand existing programs so that dairy processors can qualify for COVID relief programs and prepare for the future.

Who We Are

Ontario Dairy Council (ODC) is the voice for the dairy processing industry in Ontario. This growing industry proudly and consistently provides high quality, nutritious and delicious milk and milk products locally, nationally, and even around the globe. Collectively, ODC members contribute \$6 billion annually to Ontario's economy, employ approximately 8,000 people, and process 98% of the 3 Billion litres of fresh milk produced by Ontario farmers. The impact of the dairy processing sector in Ontario is indeed significant for our provincial consumers and economy.

ODC, incorporated in 1971, is a provincial not-for-profit trade association representing the interests and concerns of dairy processors in Ontario. ODC's mission is to promote progressive policy making decisions within government and regulatory bodies to ensure a profitable dairy processing industry responsible to consumer interests. Not only does ODC provide a strong united voice for the dairy processors in Ontario, it keeps its Members current on industry issues and provides them with access to technical information, training services, networking opportunities, and information on government and stakeholder opportunities and programs.