

57. Counter Diafiltered Milk Imports

Issue

Diafiltered milk imports jeopardize Canadian milk producers and disrupt the supply management system supported by the Canadian government.

Background

Diafiltered milk is a liquid milk protein concentrate used to manufacture certain products, including cheese. This product is not used in cheese production in the United States; it was developed essentially to avoid customs tariffs. It is imported into Canada from the United States.

Diafiltered milk is not considered a milk ingredient at the border, so it is exempt from customs tariffs levied on milk, eggs and chicken under the Canadian supply management system. However, it is considered as milk by the Canadian Food Inspection Agency (CFIA) in the application of cheese standards. It is worth noting that these cheese standards were accepted by the trading partners during Trans-Pacific Partnership negotiations.

In 2015, milk protein imports reached more than 32,000 tons, compared to 21,000 tons the preceding year. The exponential growth of diafiltered milk distorts supply management and has a very negative impact on producers' incomes. Losses related to these imports are estimated to be between \$15,000 and \$18,000 a year per family farm, i.e. \$220 million across Canada.

These last few years, the Canadian government made great efforts to protect Canada's supply management systems for certain agricultural products, particularly during Trans-Pacific Partnership negotiations. Accordingly, it must take measures to ensure that this regime's application rules help to stabilize this industry.

According to experts consulted by the FCCQ, the best solution would be to uphold the spirit and the letter of existing cheese standards in order to treat diafiltered milk as a milk ingredient.

This is an important economic issue for several regions of Canada. According to the Canadian Dairy Information Centre (of the federal government), in 2014 Canada had nearly 12,000 dairy farms generating over \$6 billion in revenues. The country's 444 milk processing plants deliver manufacturing shipments worth \$17.3 billion.

It is critically important to avoid destabilizing this industry. There is an urgent need to act because imports are increasing rapidly and will have an increasingly negative impact on Canadian agricultural producers' incomes.

Recommendation

That the federal government apply Canadian cheese standards established in 2007 by the federal government on cheese production in Canada and, consequently, treat diafiltered milk as a milk ingredient in the application of cheese standards.