

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

DPC/INV/4/Add.3
20 February 1989

International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policy and Trade Measures

CANADA

A. Production

1. Support and/or stabilization measures

- (a) Canada operates supply management systems for fluid and industrial milk. There are several instruments used in the industrial milk system: quantitative restrictions on production; border controls; support purchases of butter and skimmed milk powder, with support prices derived from a price for industrial milk based on the surveyed costs of production. The Federal Government also pays a subsidy of \$6.03 per hectolitre direct to producers, which is subtracted from the cost of production when setting support prices.
- (b) The current producer target price for industrial milk (including subsidy) is \$47.06/hl. The butter support price is \$5.102/kg. and the skimmed milk powder support price is \$3.015/kg.
- (c) During the August 1987 to July 1988 dairy year, the Federal Government made direct subsidy payments to industrial milk producers of approximately \$286 million (\$6.03/hl. on 47.4 mhl.).
- (d) For the 1987-1988 dairy year, the average return to milk producers was as follows:

Fluid milk	\$50.92/hl.*	(net of transportation and levies)
Industrial milk	\$34.48/hl.*	(net of transportation costs and levies, not including direct subsidy payments).

*Note: based on 3.5 per cent b.f.

2. In Canada, fluid milk supply is controlled on a provincial basis and is equal to fluid milk sales. Industrial milk supply is controlled nationally by the Canadian Milk Supply Management Committee (CMSMC) which is comprised of provincial governments and producer bodies and is chaired by the Canadian Dairy Commission. The industrial milk quota is set according to domestic requirements net of imports plus a sleeve.

B. Internal prices and consumption

<u>1. Dairy product price</u>	<u>Wholesale</u>	1987-88	<u>Retail</u>
Butter	\$5.53/kg.		\$5.77/kg.
Processed cheese	\$6.36/kg.		\$9.04/kg.
Skimmed milk powder	\$3.07/kg.		\$6.81/kg.
Milk 2%	N/A		\$0.97/kg.

2. Internal consumption of dairy products is significantly dependant on the price of the product at retail. Canada has experienced recent rapid growth in consumption of variety cheeses and a drop in butter, mainly as a reflection of changing taste. The demand for milk is fairly inelastic in Canada, but there has been a switch from whole milk to partially skimmed milk (2 per cent) in response to both price considerations and consumers' wish for a lower fat diet.
3. The \$6.03/hl. subsidy that the Federal Government pays directly to producers reduces retail prices of industrial products by 10-15 per cent below what they would be if target returns remained the same and the subsidy was not paid.

C. Measures at the frontier

1. Customs tariffs

Tariff item	Description of goods	Unit of meas.	Most-favoured-nation tariff	General preferential tariff
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	KGM	17.5%	11.5%
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter	KGM	7.72¢/kg. AU, NZ 2.21¢/kg.	X

Tariff item	Description of goods	Unit of meas.	Most-favoured-nation tariff	General preferential tariff
04.03	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream			
0403.10.00	Yoghurt	KGM	15.0%	X
0403.90.10	Powdered buttermilk	KGM	7.72¢/kg. AU, NZ 2.21¢/kg.	X
0403.90.90	Other		17.5%	11.5%
0404.10.10	Whey, powder	KGM	7.72¢/kg.	X
0404.10.90	Whey, other		17.5%	11.5%
0405.00.10	Butter	KGM	26.46¢/kg. AU, NZ 11.02¢/kg.	
0405.00.90	Other fats and oils	KGM	17.5%	11.5%
0406.10.00	Fresh cheese (including whey cheese), not fermented, and curd	KGM	7.72¢/kg. NZ 2.21¢/kg.	
0406.20.10	Grated or powdered cheese, Cheddar and cheddar types	KGM	6.61¢/kg. AU, NZ 2.21¢/kg.	
0406.20.90	Grated or powdered cheese, Other	KGM	7.72¢/kg. NZ 2.21¢/kg.	
0406.30.00	Processed cheese, not grated or powdered		7.72¢/kg. NZ 2.21¢/kg.	

Tariff item	Description of goods	Unit of meas.	Most-favoured-nation tariff	General preferential tariff
0406.40.00	Blue-veined cheese	KGM	7.72¢/kg. NZ 2.21¢/kg.	
0406.90.10	Cheddar and cheddar types	KGM	6.61¢/kg. NZ 2.21¢/kg.	
0406.90.90	Other cheese		7.72¢/kg. NZ 2.21¢/kg.	

Note: As of 1 January 1989, tariffs on products originating in the United States are 90 per cent of the above m.f.n. tariffs.

2. Import restrictions

Permits are required for imports of the following products: animal feed containing more than 50 per cent of non-fat solids; butter; butterfat in most forms; cheese; buttermilk in various forms; dry casein and caseinates; skimmed milk in various forms, ice cream and yoghurt.

In the case of cheese, permits are issued annually for about 20,400 tonnes.

3. Export measures at tariff line level

A subsidy of \$6.03/hl. is paid directly to producers on 1.1 mhl. of milk produced above domestic requirements, the products of which are usually exported. Further, producers take a lower return for milk within quota used for the manufacture of products for exports. This would include skimmed milk powder manufactured from a portion of the milk produced to satisfy domestic requirements for butterfat. The penalty for any milk produced above quota is equal to the cost of exporting the lowest value products, butter and skimmed milk powder.

4. Not applicable.

5. Border measures were implemented as required to maintain the integrity of Canada's supply management system for milk.

D. Text of description of agreements

Canada has a bilateral agreement with the EEC to issue 60 per cent of cheese quota for imports from EC countries.

The recently implemented Canada/United States Free Trade Agreement will lead to the gradual elimination of tariffs over a ten year period, starting with a 10 per cent reduction effective 1 January 1989.