

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

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

CANADA

I. Adjustment policies in the dairy sector

No adjustment policies in the dairy sector.

II. Changes in the factors affecting the dairy sector

Industrial milk and cream deliveries for the first nine months of the current dairy year (1 August-31 July) are down 5.4 per cent compared to the corresponding period a year ago, although the decline has lessened in recent months. Assuming the current upward trend in monthly shipments continues, total industrial milk and cream production is expected to reach 46.9 MhL or 3.8 per cent lower than that in the previous dairy year. The Market Sharing Quota (MSQ), which is currently set at 46.0 MhL, will likely be exceeded by about 2 per cent.

The domestic requirements for the period August to April 1990 declined 4.2 per cent relative to the corresponding period last dairy year. According to the Canadian Dairy Commission's estimate, domestic requirements will end up between 44.1 and 44.6 MhL, 1.5 to 2.6 per cent below last dairy year's level. The reduction in domestic requirements results from a decrease in the demand for butter but also from an increased volume of skim-off from the industrial and the fluid milk sectors. For instance, processors in several provinces have introduced 1 per cent milk in order to meet the demand of Canadian consumers for low fat fluid milk; Ontario, the province with the largest fluid milk sales, allowed the marketing of 1 per cent milk as from 30 April 1990. Based on the Ontario Milk Marketing Board's estimate, a shift in demand for 10 per cent of the 2 per cent milk sold in Ontario to 1 per cent milk will result in additional skim-off of approximately 1 Mkg of butterfat. This would cause domestic requirements for industrial and cream to be reduced by that amount.