

# GENERAL AGREEMENT ON

RESTRICTED

DPC/INV/3/Add.15

31 March 1988

## TARIFFS AND TRADE

International Dairy Arrangement

Original: English

### INTERNATIONAL DAIRY PRODUCTS COUNCIL

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

#### CANADA

#### Adjustment policies in the dairy sector

In response to a 2.8 per cent increase in domestic consumption of industrial dairy products for the August to December period, the Canadian Milk Supply Management Committee (CMSMC) decided to raise the 1987-88 Market Sharing Quota (MSQ) by 1.5 per cent. The 1987-88 MSQ has now been set at 47.3 MhL (compared to 46.6 for the 1986-87 dairy year).

The CMSMC has set a levy of \$28.50/hL on the first 3 per cent of production above MSQ, instead of the more severe over-quota levy. Changes in levies retroactive to 1 August 1987 were made in conjunction with the MSQ change. Levies for the 1987-88 dairy year are now: \$4.00/hL on MSQ, \$28.50/hL on production between 100 per cent and 103 per cent of MSQ and \$33.54/hL on production above 103 per cent of MSQ. Canadian producers are forecast to react to the higher MSQ and lowered levies by producing 48.00 MhL of industrial milk and cream during the 1987-88 dairy year, about 1.5 per cent above MSQ and 2.6 per cent above 1986-87 production. The bulk of the increase will occur towards the end of the dairy year, after producers have had sufficient time to react to these changes.

A new methodology for setting Target Returns for industrial milk and support prices for butter and skim milk powder was announced in January 1988. Based on the surveyed costs of efficient producers, the new method will more accurately reflect changes in costs that face milk producers. The formula includes compensation for cash costs, a return to unpaid labour and management and a return to capital excluding investment in quota.

The support prices effective 1 February 1988 are: Target Returns for industrial milk at \$47.06/hL, support price for butter at \$5.102/kg. and support price for skim milk powder at \$3.013/kg. In the future, price changes will occur on 1 August, based on the results of the cost surveyed the previous year, and on the following 1 February, based on an indexing of the 1 August data base. A price change would only occur on 1 February if the indexing results in a change of 2 per cent or more.