



# Cross border connections

## – farmers working together for better dairy policy

—by Cathy Holtslander, NFU Director of Research and Policy

On April 1, 2017 Canada implemented a new milk class and world-price-based pricing regime for all skim milk solids that the dairy industry believes meets Canada's World Trade Organization obligations. The new milk class allows Canadian milk protein ingredients to compete with American diafiltered milk imports (see box on page 3). In spite of having a year's notice of the impending change, a large Wisconsin processor and diafiltered milk exporter gave its farmers just 30 days notice that it would no longer be buying their milk, throwing 75 farm families into crisis.

On April 18, US President Donald Trump made a speech to Wisconsin farmers, saying "We are also going to stand up for our dairy farmers in Wisconsin. And I've been reading about it, I've been talking about it for a long time, and that demands, really, immediately, fair trade, with all of our trading partners. And that includes Canada." He went on to say, apparently referring to our supply management system and/or NAFTA, "It's another typical one-sided deal against the United States, and it's not going to be happening for long. So . . . we're going to get together and we're going to call Canada, and we're going to say 'what happened?' And they might give us an answer, but we're going to get the solution, not just the answer, OK, because we know what the solution is, all right?"

In response to President Trump's speech, the NFU tweeted a solution to the President and sent the media and American family farm advocacy groups the following message to inform them of our action:

### Canada's NFU tweets President Trump a solution to US dairy crisis

*(April 20, 2017 - Courtenay, BC). Today, the President of National Farmers Union (NFU) sent US President Donald Trump a letter via Twitter, encouraging him to adopt a solution that would make America's dairy farmers great again.*

*"We have compassion for American family farmers who are experiencing record low farm-*



@realDonaldTrump #NFUcanada has solution to make America's dairy farmers great again - read our letter here [bit.ly/2or2Jng](http://bit.ly/2or2Jng)

*gate milk prices. We understand many are forced to take on terrible debt loads. Those who cannot survive this crisis are seeing their hopes and dreams dashed. This is the very situation our own farmers were in 50 years ago," said Jan Slomp, NFU President.*

*"In President Trump's speech on Tuesday, he said he wasn't just looking for answers, he is looking for a solution," said Jan Slomp, NFU President. "We decided to share with the President the principles of a system that will work for dairy farmers, rural communities, processors, workers, consumers and governments.*

*"American dairy farmers are facing the same problems dairy farmers in the European Union, New Zealand and Australia are struggling with: prices so low they don't cover the cost of production. When everyone tries to make up for low prices by producing more of a perishable product, it just makes the problem worse," explained Slomp. "The USA cannot solve its dairy crisis by taking over the Canadian dairy market and putting our farmers out of business. But if it adopts its own supply management system, it could begin to restore prosperity to rural America."*

*"This solution, which we call Supply Management, was created by Canadian farmers and governments in the late 1960s. Instead of exporting milk, we would be pleased to export this unique and successful dairy policy innovation," added Slomp.*

The two-page letter to President Trump is available on our website at <http://bit.ly/2or2Jng>.

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As a result of our letter and media release, we made contact with the Wisconsin chapter of the American National Farmers Union (a completely separate organization from ours). With their permission, we sent the Canadian media *Milking Scapegoats*, by their member, Chris Holman, along with the following introduction from the WFU:

*Wisconsin Farmers Union welcomes the opportunity for discussion between U.S. and Canadian dairy farmers. We very much need to build a shared understanding about the economic and political forces that are shaping the future of our dairy farms. Chris Holman's opinion piece provides a clear explanation of how U.S. dairy policy has failed our farmers, and a clear refutation of the attempt to blame Canada for that failure. We are working to engage U.S. farmers in supporting a dairy policy that manages overproduction and provides price stability, and we welcome the chance to work with Canadian farmers in finding common ground around solutions that benefit family farmers in both of our countries.*

While the full commentary is too long to reprint in full here, the following excerpt describes the situation of American dairy producers:

*The key piece of information in this story is that U.S. dairy farmers are simply producing too much milk. According to data from the U.S. Department of Agriculture, 43 million gallons of milk\* were dumped in fields, manure lagoons or animal feed or were discarded at plants just in the first eight months of 2016.*

*Farmers are caught in a vicious cycle. When markets are up, farms often expand and production increases to take advantage of better prices. When the milk supply goes up and markets are down, farms often expand and production increases as they try to keep their heads above water. If that's not a recipe for more of the same, I don't know what is.*

*Here in Wisconsin, state programs like the Grow Wisconsin Dairy 30x20 Initiative have made the situation even worse. Beyond pushing Wisconsin dairy farmers to reach 30 billion pounds of milk production by 2020, the initiative—with no sense of irony—provides grants “to improve the long-term viability of Wisconsin's Dairy Industry.” If you dive into data from USDA and the Wisconsin Agricultural Statistic Service, we've lost 2,411 dairy farms since March 2012 when the 30 x 20 initiative was announced. That's an average of almost 500 dairy farms per year. We are growing our production but it is being done by fewer and fewer, larger farms.*

*This all has a predictable end. Refusing to change our policies in agriculture right here at home will lead us further down the road to monopoly. We're already firmly in the grasp of oligarchic practices with a small handful of massive, multinational conglomerates running the show in most sectors of agriculture.*

*Consolidation of land, farms, and corporations coupled with the death of the midsize farmer is encouraging ever more mergers, more vertical integration and more distance between your average citizens, the food they eat, the farmers who produce the food and the rural landscape that used to be the backbone of the nation. If farmers continue to accept this as some sort of unavoidable reality, we will have to take prices that guarantee a future no one but the titans of industry can navigate once they've shrugged us all off. (see <http://bit.ly/2pMbZDq> for the complete article)*

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Supply management is an institution that provides farmers with collective market power that effectively counters the ever-more concentrated commodity buyers, processors and retailers ...

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In contrast, under Canada's supply management system we continue to have a dairy sector that provides a living for families who operate smaller and medium-sized farms. Our average herd size is about 100 cows in Western Canada and 60 to 70 cows in Eastern Canada, which is compatible with good local ecosystem health and animal welfare. Dairy farmers' income stability often provides an economic anchor in their communities when other agricultural products or industries experience instability and insecure incomes. In addition to their economic contributions, our viable dairy farms contribute to rural employment, quality of life and a stronger social fabric.

Supply management is an institution that provides farmers with collective market power that effectively counters the ever-more concentrated commodity buyers, processors and retailers who use their power in other agricultural sectors to take an ever-greater share of the

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\*43 million US gallons is 163 million litres, equivalent to the annual production of 450 fifty-cow dairies.

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grocery-store food dollar. Without market power, farmers cannot count on reliable future revenues, making it very difficult or impossible for young farmers to get needed financing to realize their plans and dreams.

In 2016 the NFU produced a major report, *Strengthening Supply Management - Defending Canadian control of our market space and advancing food sovereignty*. The report examined the strengths and weaknesses of our current system and made recommendations for improvement. The NFU has always opposed the capitalization of quota, and this report suggests ways to move towards more equitable ways of allocating quota. All of the supply managed sectors have new entrant programs that help young people get started. While these are beneficial, we continue to push for even better ones, as well as ways to provide greater diversity of production systems in response to both consumers' and farmers' preferences. To read the full report, go to <http://bit.ly/2oUCWUy>.

If you are a dairy farmer, or you know a dairy farmer, we would like to hear from you. We have a unique opportunity to build farmer-to-farmer relationships with the Wisconsin Farmers Union, as well as our Via Campesina sister organization, the National Family Farm Coalition and other allies to promote better policy on both sides of the border. If you would like to share your story with family farmers in the USA, please send an email to [nfu@nfu.ca](mailto:nfu@nfu.ca). Thanks!



## What is diafiltered milk all about?

Diafiltered milk was invented by American dairy processors looking for a way to circumvent Canada's tariff barrier and make it possible to export surplus milk into Canada. It is produced by passing skim milk through a membrane to separate out the milk proteins. This produces a very thick, high-protein liquid. To further concentrate the protein, it is diluted so it can be filtered again, removing more of the non-protein components. With the resulting very high protein concentration, the liquid is no longer classified as a dairy product under international trade definitions. Instead, it can cross the US-Canada border as a "protein ingredient" tariff-free. Once inside Canada, dairy processors were purchasing the low-priced product then using it as "milk" when making cheese, displacing milk produced on Canadian dairy farms.

Diafiltered milk imports increased dramatically, causing Canadian dairy farmers to lose about \$231 million in revenues per year. Dairy farmers urged the government to resolve the ingredient versus milk contradiction by enforcing compositional standards for cheese that should have prohibited the use of diafiltered milk. This has not happened, so the alternative response has been to provide for the sale of skim milk solids at world prices within Canada. Canadian dairy processors are starting to shift to domestic sources of low-cost milk protein ingredients, which has angered the American processors selling diafiltered milk into Canada.

## Save a tree, save a stamp AND save the NFU some money!!

Postage rates and printing costs keep going up and it's easier than ever to distribute documents electronically so we will begin offering the **Union Farmer Newsletter** via email in 2017. We would like to encourage you to switch from paper to PDF so we can allocate more money to organizing, research and advocacy for family farmers.

If you would like to get the electronic version of the newsletter in your email in-box instead of getting the paper version in your mail box, please let us know.

**Send an email to [nfu@nfu.ca](mailto:nfu@nfu.ca) with the subject line "Newsletter by Email". Include your name, NFU membership number and/or mailing address in the body of the message.**

*Thanks for helping lower our publication costs!*

