

A close-up photograph of a black and white cow's head as it eats hay. The cow has a yellow ear tag with the number '4' on it. The background shows other cows in a barn setting.

Dairy Facts



Farm Credit Canada
Advancing the business of agriculture

Canada



Dairy Facts

Overview

Some 30,000 people work on 13,587 dairy farms across Canada. Over one million dairy cattle produce a combined total of 80.8 million hectolitres of milk per year, making the dairy industry the fourth largest agriculture sector in the country. Holsteins represent 92 per cent of the Canadian dairy herd, with the balance held by Ayrshire, Guernsey, Jersey, Brown Swiss, Shorthorn and Canadienne.

In 2010, dairy farms generated \$5.5 billion in farm cash receipts from milk. Dairy product exports in 2010 totalled more than \$227 million and exports of Canadian dairy genetic material were valued at more than \$100 million. Export markets include Russia, Mexico, Serbia, Croatia, Cuba and the United States.

Get additional facts and figures at:

- www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1182526420238&lang=eng
- www.dairyinfo.gc.ca/index_e.php?s1=cdi-ilc
- www.statcan.gc.ca/pub/23-014-x/23-014-x2009003-eng.htm

Key issues and initiatives

World Trade Organization (WTO)

Canada's goal in the Doha round of trade negotiations is to achieve a fair, open and more level international platform for agricultural producers and processors. Canada is seeking a reduction of approximately US\$2 billion in domestic support, improved market access for export commodities and status quo tariff rate quota protection for supply management. This round of negotiations has not yet concluded. A draft modalities text on agriculture sets out proposed parameters for rules and commitments in the areas of domestic support, market access and export competition; however, it has been difficult for the 152 members to achieve consensus.

Today, the Government of Canada continues to reiterate its support for the supply management system.

Canadian Dairy Operations¹

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	N.L.
Number of dairy farms	542	615	202	388	4,243	6,492	231	253	213	35
Per cent of milk production	8.7	8.7	3.1	4.2	32.4	37.0	1.8	2.2	1.3	0.6

¹ Source: Statistics Canada

Learn more at:

- www.wto.org/english/tratop_e/agric_e/negoti_e.htm
- www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx?lang=eng&menu_id=57
- www.international.gc.ca/trade-agreements-accords-commerciaux/goods-produits/agri.aspx?lang=en

Canada – EU trade talks

In February 2011, the sixth round of trade talks on the Comprehensive Economic and Trade Agreement (CETA) between Canadian and European negotiators stalled on a series of sensitive issues. A Canadian request for inclusion of a dispute settlement mechanism similar to NAFTA has stalled talks as the European Commission must obtain agreement from individual member states. The EU wants inclusion of a controversial provision that allows corporations to seek compensation from states if government policies hurt their business interests. Canada objects to such a provision which is also included in the North American Free Trade Agreement and has served as a source of controversy. Of concern to policy analysts are the possible impacts to Canada's agricultural system including supply management.

For more information, go to:

- www.canadians.org/trade/issues/EU/index.html
- www.meatradenewsdaily.co.uk/default.aspx?Country=Canada

Import of milk protein concentrates

Canadian producers are concerned about the increasing use of imported dairy protein concentrates used to make cheese and other dairy products. Negotiations under Article 28 of the General Agreement on Tariffs and Trade (GATT) were completed. Under this article, the government can negotiate Canada's tariffs under the WTO and therefore establish tariff-rate quotas on milk protein imports.

Compositional cheese standards

In 2007, the federal government clarified and harmonized the federal compositional standards for cheese. The regulations set a minimum level of milk to be used to produce various cheeses, but also allow for other milk products, such as skim milk powder, whey and milk protein concentrates. They also introduced a licensing system for cheese importers as a way to facilitate the enforcement of the regulations in a consistent and equitable fashion. Learn more at www.parl.gc.ca/content/LOP/ResearchPublications/prbo741-e.htm.

The new regulations were successfully defended, in March 2011, in federal court. For the complete story go to www.country-guide.ca/news/appeal-court-upholds-milk-minimums-in-cheesemaking/1000403872/.

Cost of production

An important factor in the supply management system is cost of production. It's a measure of producer expenses involved in producing a commodity at a specific time. Cost of production formulas include variable input costs (feed, labour, etc.), fixed input costs (depreciation, plant and administration, overhead, etc.), levies paid by producers to operate national agencies and provincial boards, and a return on labour and investment. Cost of production studies are conducted by an independent third party and are overseen by a national agency, such as the Canadian Dairy Commission.²

Feed costs generally account for 50 per cent of the cost of producing milk. For information on feed prices, visit www.farmcentre.com/MarketsWeather.

Consolidation and succession

The number of dairy farms continues to decrease as overall herd size expands. These larger units bring with them new challenges for management. Today's dairy producers are concerned about how to pass on their dairy farms to the next generation, while the next generation is concerned about how to pay for them.

² Source: www.omafra.gov.ca, factsheets on pricing mechanisms in Supply Management Systems

For more information, visit:

Transferring the Farm workshop – FCC Learning

- www.fcc-fac.ca/en/LearningCentre/workshops_e.asp#transferring-the-family-farm

Succession planning – Farmcentre.com

- www.farmcentre.com/Downloads/NewFarmer/Farm-Succession-Steps.pdf

Succession planning – Government of Ontario

- www.omafra.gov.on.ca/english/busdev/succession.html

Labour

As farm size increases, operations require more than a single farmer and part-time family help. However, the availability of skilled farm labour is an issue in communities across the country.

The hiring of foreign workers may be an effective solution in addressing labour concerns. For more information, visit www.hrsdc.gc.ca/en/workplaceskills/foreign_workers/index.shtml.

Technology

There is a trend for milking facilities to get larger and more automated. Many feature new technology such as rotary parlours, animal identification systems and automatic cow-sorting devices. The goal of all of these technologies is to reduce production costs. Some dairy producers use robotics to milk cows. Producers can save money on labour and can expand without increasing labour requirements. By using robotics, highly repetitive tasks are eliminated, so there is more control over schedules and more opportunities to focus on managing the dairy. Visit www.omafra.gov.on.ca/english/livestock/dairy/robotic/index.html.

Environment and food safety

Over the past decade, environment and food safety issues have emerged as top consumer concerns. For the primary producer, the lines of food safety and environment often overlap. In most cases, complying with these regulations is expensive. New systems or buildings must be created or new

technology implemented. These are considered non-productive assets. Each province is responsible for implementing regulations. Visit www.dairyfarmers.ca/what-we-do/programs/canadian-quality-milk.

Animal welfare

Animal welfare supports the principle that animals deserve the best care that can be given and all attempts should be made to provide as high a quality of life as possible. The Code of Practice for the Care and Handling of Dairy Cattle was developed by the Dairy Farmers of Canada and the National Farm Animal Care Council in collaboration with scientists and government experts and the Canadian Federation of Humane Societies. Originally released in 1990 and updated in 2009, it is a national guideline to promote sound dairy cattle management and welfare practices through recommendations and requirements for housing, management, transportation, processing and husbandry practices.

For in-depth information, visit:

- www.inspection.gc.ca/english/anima/trans/transe.shtml
- www.dairyfarmers.ca/what-we-do/animal-health-and-welfare

Genetics

Ongoing genetic improvements in the areas of production, conformation traits and positive health traits are used in the dairy industry. In Canada, producers and industry partners support a balanced breeding approach to achieve progress. Genetic evaluations are key to producing improved animals and increasing profitability for the future. The recent technological breakthrough in genotyping or DNA mapping of individual animals will allow producers to more effectively select animals with the most desirable traits as breeding stock. DNA testing may even one day complement existing animal traceability and identification.

Canadian dairy cattle genetic material has been shipped worldwide. For more information, go to

www.dairyinfo.gc.ca/index_e.php?s1=dff-fcil&s2=imp-exp&page=imp_exp.

Another exciting development is the availability of sexed semen. As artificial insemination is a common practice on dairy farms, this technology gives producers the ability to select the gender of the calf to be born and can reduce the number of replacement females that need to be purchased. Learn more at www.cdn.ca/articles.php.

Operating in the dairy sector

Dairy Basics

Dairy cows are bred year round to maximize milk production. Most farmers use artificial insemination on their herd with the gestation period taking nine months. Dairy calves never suckle from the cow. They are immediately taken to separate calving areas or barns and fed a specialized diet. Farmers watch the cycle very carefully and manage the cow's pregnancy and lactation cycle to maximize milk production. Seventy-five days after birth, the cow is artificially inseminated again. She is milked for about 10 months and given a rest for two months before birthing again.

Dairy cattle are fed grass or legume forage and silage, then mixed with grain and supplements creating a total mixed ration (TMR). They are fed this high quality ration up to eight times per day because the better the dairy cow eats, the more high-quality milk she will produce. Water quality is also critical in dairy cow nutrition. A cow requires four times the dairy production. A cow that produces 30 litres of milk a day needs about 120 litres of water a day. On average, a dairy cow will produce 8,600 litres of milk per year.

Cows are milked in parlours. The cow's udder is disinfected then it is connected to a large machine

that automatically milks the cow. The cows stand in stalls while being milked. The machine milking parlour can milk up to 20 cows at once and cows are milked twice a day for about 20 minutes. The milk is collected and stored in large tanks before delivery to primary processors.

Processing

Dairy processing in Canada has followed the same trend as most other food and beverage processing industries, moving toward fewer but larger facilities. There is significant merger and takeover activity in the Canadian market and a maturing demand for dairy products. The largest processors are multi-plant firms operating in two or more provinces and offering a full range of product lines. Today, the three leading processors (Parmalat, Saputo and Agropur) own 14 per cent of plants and process 70 per cent of the milk produced in Canada. Learn more at <http://www.cdc-ccl.gc.ca/CDC/index-eng.php>.

Quota and supply management

A tremendous amount of farm equity has been built on quota values. Quota is the right or licence that a producer holds to produce a certain amount of milk per day. Producing milk beyond the approved quota generates no monetary return, so the amount of quota owned represents a significant asset. Quota is part of the supply management system, a process that ensures Canada's annual supply of milk meets demands in domestic and selected international markets. The system stabilizes price for producers and consumers, and supply for processors.

Producers may buy or sell quota monthly, either with a farm or separate from the property. Quota exchanges fall under provincial jurisdiction and are governed by provincial marketing boards and agencies. The price of quota is determined by supply and demand, or bids and offers with some jurisdictions having regulations that influence quota price. To expand operations, dairy producers depend on purchasing additional quota, which makes quota availability and price critical factors.

Learn about specific provincial quota regulations and current quota prices:

B.C. Milk Marketing Board
www.milk-bc.com

Alberta Milk
www.albertamilk.com

Saskatchewan Milk Marketing Board
www.saskmilk.ca/default.htm

Dairy Farmers of Manitoba
www.milk.mb.ca

Dairy Farmers of Ontario
www.milk.org

La Fédération du producteurs du lait du Québec
www.lait.org

Dairy Farmers of Nova Scotia
www.dfns.ca

Dairy Farmers of New Brunswick
www.nbmilk.org

Dairy Farmers of P.E.I.
www.dfpei.pe.ca/

Dairy Farmers of Newfoundland and Labrador
www.nlfa.ca/dairy_farmers.php

Product development and marketing

Dairy Farmers of Canada, the organization representing producers, has recently undertaken major marketing campaigns in schools and grocery stores. World School Milk Day has been celebrated by schools around the globe for the past 10 years, and each province has its own school milk program to promote the nutritional benefits of milk.

For information on the school program in Ontario go to www.dairyfarmers.ca/what-we-do/programs/elementary-school-milk-program-ontario.

In the past several years, there's been a move to plastic bottles from cardboard milk cartons, and research to increase the shelf life of dairy products. Internationally, the Danish food production company Danisco has been collaborating with DuPont Qualicon to improve dairy product safety and shelf life. Their research could affect milk and milk products in the future. To learn more, visit www.dairyfarmers.ca/what-we-do/marketing.

National regulation and code

The National Dairy Regulation and Code was developed by the Canadian dairy industry in collaboration with the provinces, the Canadian Food Inspection Agency and Health Canada. The code harmonizes basic regulations pertaining to the production, transportation and processing of milk across all provinces and territories. For more information, go to www.cfis.agr.ca/english/indexe.shtml.

Provincial and federal contacts

Provincial marketing boards and agencies govern the production and marketing of milk. Responsibilities vary, however, they generally license producers, allocate quota, establish prices and determine provincial demand.

Canadian Dairy Commission (CDC) is the federal body that works with provincial dairy organizations to develop programs and policies and to advise the Minister of Agriculture and Agri-Food on all matters pertaining to dairy. For more CDC information, phone 613-792-2000, email cdc-ccl@agr.gc.ca or visit www.cdc.ca.

The Canadian Dairy Information Centre is a partnership between Agriculture and Agri-Food Canada, the Canadian Dairy Commission and the Dairy Farmers of Canada. Information includes dairy regulations, on-farm safety, annual reports and world facts. Get general industry information at www.dairyinfo.gc.ca.

For more information on the Canadian dairy industry visit:

Agriculture and Agri-Food Canada
www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1182522993907

Canadian Food Inspection Agency
www.inspection.gc.ca/english/fssa/dailai/dailaie.shtml

Dairy Farmers of Canada
www.dairyfarmers.ca/

Dairy Processors Association of Canada
www.dpac-atlc.ca/english/

Looking for more information?

We have financial guidelines for the dairy sector that can help you make decisions. If you're an FCC customer, simply visit www.fcc.ca, log into FCC Online Services and click Sector Guides in the Management Resource Centre.

If you're an FCC customer but not registered for FCC Online Services, you can register now at www.fcc.ca.

Want more management insight? Give us a call at 1-800-387-3232. Our Relationship Managers and subject matter experts can help.

Disclaimer

This study is for educational and general reference purposes only. The authors attempted to provide accurate and useful information and analysis. However, FCC cannot and does not guarantee the accuracy of the information contained in this study. FCC assumes no responsibility for any actions or decisions taken by any reader of this report based on the information provided. It is not intended to be used as a substitute for specific professional advice.

Cette publication est aussi offerte en français.



Farm Credit Canada
Advancing the business of agriculture

Canada

