

# Dairy Unit

History of Dairy in BC

# Circa 1920 - 1960

- Producers (dairy farmers) formed “Co-operatives” to improve bargaining power.
- In the 1960’s, it became hard for producers to make a living because of:
  - low dairy prices worldwide
  - Unstable markets
  - Disorganization in the industry
  - Processors had more bargaining power, causing issues such as lack of trust.
  - Loss of export rights to the U.K.

# 1960s

- Farmers united to form provincial marketing boards to replace milk, cheese, and cream producer associations.

# 1966

- Farmers united nationally to form the Canadian Dairy Commission whose goals were to provide:
  - efficient milk producers with a fair return for their labour and investment.
  - Consumers with a continuous and stable supply of high-quality dairy products.

# 1970s - present

- Supply management became a joint federal-provincial responsibility.

# Key Elements to Supply Management

- Setting Prices
- Setting Production Levels
- Controlling Imports

# Setting Prices

- Milk Prices are set by provincial and federal authorities.
  - 40% raw milk used for fluid milk
  - Remainder used to make cheese, yogurt, butter, etc.
- Prices based on complicated formulae that include production costs, market conditions, etc.
- The Provincial Marketing Board (ie: BCMMB) buys the milk from the farmer and then sells it to the processors.

# Setting Prices

- The result of prices being set by government officials is that farmers get a very good price for their milk.
- This price doesn't change very much so the farmer always knows what they will be paid.
- Processors, retailers, and consumers also know how much they will have to pay for the milk as it doesn't go up and down much.



# Setting Prices

- Canadians pay more for milk products than most other developed countries (ie: USA and Australia)
- However, the USA government heavily subsidizes their dairy farmers, so ultimately, everyone pays for the milk one way or the other.

# Setting Production Levels

- Each farmers holds individual quota, which represents their right to produce and sell milk.
- National authorities determine how much milk will need to be produced to keep up with demand.
- Once the target milk production is established it is divided among the provinces based on population and production history.
- The appropriate amount of quota is sold to farmers so that production is met.

# Setting Production Levels

- When quota was first created it was given to farmers who already had dairy farms.
- A unit of quota allows farmers to produce one kilogram of butterfat/day. This works out to about the amount one cow produces.
- Today quota costs around \$30,000/cow. This makes it hard for new farmers to start up.
- However, the BCMMB sets aside quota so that they can give some to new farmers when they start up (there is a waiting list).

# Controlling Imports

- Since farmers in the USA are selling their milk much cheaper, why don't grocery stores just buy milk from them.
- Part of supply management is HUGE government imposed tariffs on imported dairy products (up to 200% or more). This means if a US producer wants to sell a can of milk for \$1.00, it will end up costing the retailer \$3.00)

# The Result

- The advantages of supply management are:
  - Farmers (even small farms) can sustain successful businesses.
  - Milk prices remain steady.
  - No government subsidies.
  - High quality dairy products (highest standards worldwide)
  - Farms in Canada are all “family operations”, as opposed to corporations (USA)

# The Result

- Disadvantages:
  - High milk prices for consumers.
  - New milk products produced outside Canada are not as available for Canadians.
  - Difficult for new farmers to start up because of high quota prices (not to mention the cost of buying land, barns, cows, etc.)

# Dairy in BC

- \$493 million farm receipts for BC dairy
- 535 Dairy Farmers in BC
- 72,000 cows produce 657 million liters of milk/yr for BC
- Approx. 57% is used as liquid milk and 43% is used for non-liquid dairy products
- Per capita consumption in BC in 2009 was 77 litres.
- 73% of Dairy farms are in Fraser Valley
- A farmer with high quality milk earned \$0.73/litre in 2008.
- Average farm size: 135 cows

# Dairy in BC

- Dairy production in BC is controlled by the British Columbia Milk Marketing Board (BCMMB).



# Dairy in Chilliwack

- 501 dairy and cattle farms in Chilliwack
- 134 Dairy farms in Chilliwack
- Chilliwack: approx 25% of BC dairy production
- 2008: 56,891,639 litres of milk
- 56% fluid milk (homo, 1%, skim)
- 44% industrial milk (cheese, ice cream, yogurt)

# A final thought: Dairy In the USA

## Changes in the size structure of U.S. dairy farms, 2000-2006

Herd size	Number of operations		% change	Percent of inventory		Percent of production	
	2000	2006		2000	2006	2000	2006
1-29	30,810	21,280	-31.0	2.9	1.9	1.8	1.2
30-49	22,110	14,145	-36.0	9.1	6.0	7.7	4.9
50-99	31,360	22,215	-29.2	22.0	16.3	19.4	14.3
100-199	12,865	9,780	-24.0	18.0	14.1	17.3	13.0
200-499	5,350	4,577	-14.4	16.7	15.0	18.0	15.0
500-999	1,700	1,700	0	12.0	12.6	13.7	14.3
1,000-1,999	695	870	+25.2	10.1	12.5	11.6	13.9
2,000+	280	573	+104.6	9.2	21.6	10.5	23.4
Total	105,170	75,140	-25.5	100.0	100.0	100.0	100.0

Source: USDA, NASS *Milk Production*, Feb. issue (through 2004); USDA, NASS *Farms, Land in Farms and Livestock Operations* (after 2004). Herd size refers to all dairy cows on an enterprise, including dry cows but excluding calves, heifers, and bulls.

# A final thought: Dairy In the USA

- Dairy farms in the USA are often owned by huge corporations, not families.
- Farms can have up to 30,000 cows.
- No quota, lower standards (ie: added hormones that are illegal in Canada).
- Small farmers cannot survive easily.
- Even big farms cannot survive, so government subsidizes farmers on milk sales and inputs (grain, etc.)

# Don't forget...

- Dairy farmers don't get days off...
- They work very hard...
- They do jobs most of us wouldn't dream of doing...
- And Canadian Dairy farms are family operated...