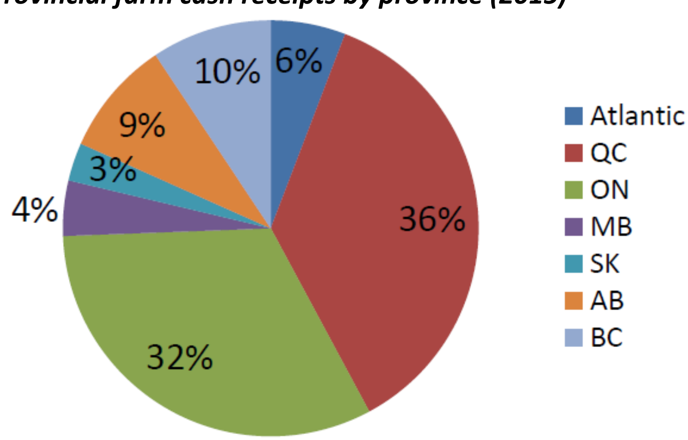
BC Milk Industry Snapshot

Industry Facts

- BC dairy production is regulated at the provincial and federal level under supply management.
- Dairy is BC's largest primary agriculture industry.
- The province's 491 licensed dairy producers produced 718.7M litres of milk in 2015—6% above the previous 5-year average.
- Farm cash receipts from BC milk production exceeded $564M in 2015—over 7% above the previous 5 years. This represents over 18% of total farm cash receipts in BC ($3.08B) and over 9% of national farm cash receipts in Canada's dairy sector.
- BC is the 3rd largest dairy-producing province. It has the largest average heard size, highest average heard milk production and highest milk quality. About 82% of producers are in Ontario and Québec.
- Canada has about 12,000 dairy farms with about 950,000 cows. In comparison, the US has about 49,000 dairy farms with approximately 9.3M cows.
- A 2013 economic study estimates that the BC dairy sector generated, annually, about $2.7B in economic output; contributed $781.7M to the provincial GDP; and provided 21.7% of BC's agricultural jobs.
- BC has 32 federally registered dairy processors and 28 provincially licensed processors. BC is 3rd in Canada in terms of processor numbers, after Ontario and Québec.
- Processor interests are represented by the BC Dairy Council (BCDC).
- Producer interests are represented by the BC Dairy Association.

Provincial farm cash receipts by province (2015)

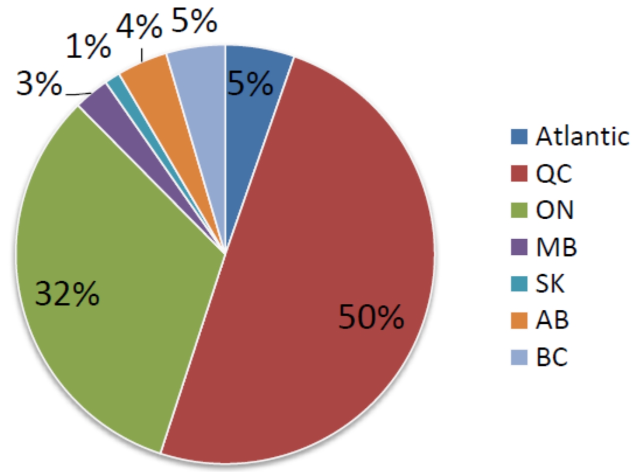


Industry Overview

<u>Market Demand and Trade</u>

- There are 2 broad markets for milk in Canada:
  - ◊ The fluid market (table milk and fresh cream) accounts for 35% of Canadian milk production.
  - ◊ The industrial market (for manufactured products such as butter, cheese, yogurt, and ice cream) accounts for the remaining 65%.
- Industrial milk is broken down into components, or "ingredients", primarily butterfat and skim, to facilitate processing.
- Global consumer demand for higher-fat dairy products (butterfat) is driving an increase in global milk production. This affects industrial milk in Canada.
- Once the butterfat is removed from milk, skim (protein) remains. Canadian processors found the price for skim uncompetitive in light of availability of a less expensive, comparable option available from the US. Unless Canadian producers can find an alternative market, or price skim more competitively, the growing surplus may be "dumped".
- Overproduction, low price and excess skim is a global issue.
- Canada's national "Ingredient Strategy" is intended to level the price for skim to match world prices and encourage its use by domestic processors.
- The US and other dairy-producing countries are concerned Canada's new skim price will decrease demands for skim imports to Canada.

Dairy farm operators by province (2011)



Animal Care

- Animal care is an important part of the BC dairy industry. Mandatory standards are in place to help ensure high levels of animal care that accord with the national Code of Practice for the Care and Handling of Dairy Cattle.

A small dairy farm on Vancouver Island (bcdairy.ca)

Consumer Trends

- Consumer demand is growing for specialty products such as organic and grass-fed milk. Between 2015 and 2016, the organic sector grew by 11%.
- The BC dairy industry is responding to this growing demand by increasing organic production and working with producers interested in filling the new grass-fed milk market.
- Growing consumer demand for butterfat is overall driving change in industry pricing structure (see "Market Demand").

Sources:

- Agriculture and Agri-Food Canada; Statistics Canada
- BC Milk Marketing Board
- BC Ministry of Agriculture. "Fast Stats 2015"
- Canadian Dairy Commission
- Canadian Dairy Information Centre
- Dairy Farmers of Canada
- PWC. (2013). "Economic impact of British Columbia's dairy, chicken, turkey, hatching egg and table egg industries — 2011 update".

Industry Governance

- Canada's dairy industry is supply-managed. It operates under federal and provincial legislation and agreements.
- At the federal level, the supply managed system for industrial dairy production is regulated by the Canadian Dairy Commission (CDC), a federal Crown corporation established under *Canadian Dairy Commission Act*. The CDC coordinates federal and provincial dairy policies.
- The CDC chairs the Canadian Milk Supply Management Committee (CMSMC) which sets the national industrial milk production target and implements a national marketing plan that allocates shares of industrial milk production (quota) to provinces.
- At the provincial level, the BC Milk Marketing Board (Milk Board) is the first instance regulator of milk production in BC under the *Natural Products Marketing (BC) Act* and the British Columbia Milk Marketing Board Regulation.
- The Milk Board is responsible for orderly production and marketing through promoting and regulating the production, transportation, packaging, storage and marketing of milk. It sets producer price.
- The BC Farm Industry Review Board is responsible for ensuring the Milk Board meets its responsibilities in an effective, strategic, and accountable manner that results in sound marketing policy.

BRITISH COLUMBIA

BC Farm Industry Review Board
www.gov.bc.ca/BCFarmIndustryReviewBoard
250 356-8945