



MAY 9 2005

Quote: 291245

Mr. Jacques Laforge
President
Dairy Farmers of Canada (DFC)
75 Albert Street
Suite 1001
Ottawa, ON, K1P 5E7

Dear Mr. Laforge:

The purpose of this letter is to follow-up on the extensive discussions we have had regarding various issues of concern to dairy producers.

Firstly, I would like to reaffirm this Government's ongoing commitment to supply management. Canada's supply management system has been the choice of dairy, poultry, and egg producers over the past three decades, and has proven to be a very successful choice for these industries. The Government has repeatedly shown that it will defend this choice in the World Trade Organization (WTO) agriculture negotiations and international dispute settlement panels. Let us assure you that the Government will continue to make every effort to defend supply management as the WTO agriculture negotiations progress over the coming months. Defending the ability of producers to choose how to market their products remains a top Government priority.

On the subject of the CITT ruling on the tariff classification of a milk protein isolate, the government intends to appeal this ruling. The formal appeal will be filed before the deadline date of June 6, 2005. The CITT findings raise a number of concerns about the proper classification of various types of milk protein products, and we are hopeful that an appeal of the ruling will help to clarify these issues. While the appeal runs its course, the product in question will continue to be subject to the tariff classification that had been made by the Canada Border Services Agency (CBSA) (0404.90.10 and 0404.90.20), i.e. subject to the 270% over-quota tariff.

We will work with the CBSA to apply its principles to like products should the Federal Court overturn the CITT decision.

In addition, the government will make efforts to monitor the level of imports of similar milk protein products to assess any possible trends. You also raised concerns about possible increases in the size of the skim milk powder surplus as a result of increased imports of milk proteins in various forms. In conjunction with the Canadian Dairy Commission (CDC), we will be carefully monitoring any increases in the size of the

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surplus. If there are significant increases in the size of the surplus as a result of increased imports, we will assess, in consultation with your organization and other interested parties, whether any further actions are required.

With respect to the DFC's labeling concerns that have been raised, we understand your desire to establish certain limits on the use of dairy terms for food products that contain dairy ingredients. As you are aware, these labeling concerns are being raised as the review of Bill C-27 continues. Furthermore, the CFIA is prepared to proceed through the normal regulatory amendment process to deal with many of your flavour issues.

As you are aware, the CFIA has been working with stakeholders to amend the *Dairy Product Regulations* particularly regarding the issue of standards of identity for dairy products. Due to the polarized positions that have arisen, we encourage continued participation by stakeholders to move forward with the CFIA regulatory amendment process.

We have also discussed the possible establishment of a small group made up of representatives from the DFC, dairy processors, the CDC (in an advisory capacity), and the government to examine some of the longer term pressures and challenges facing supply management in dairy, with a view to exploring solutions to better position the industry to deal with these challenges. We would like to confirm with you our interest in pursuing this issue, and will be in touch with you shortly to discuss the membership and terms of reference of such a group.

Finally, we would like to reiterate the government's position on the DFC's request that we pursue Article XXVIII negotiations to increase tariffs on four tariff lines. While we do not believe that, for strategic reasons related primarily to the WTO negotiations, now is the right time to undertake such an initiative. That said, we do not rule out the possibility that such action might be appropriate in the future, and will continue to assess this issue in consultation with the DFC as further developments occur in the negotiations.

I trust that you will find this information useful.

Sincerely,

Original signed by
Honourable Andy Mitchell


The Hon. Andrew Mitchell, P.C., M.P.

Original signed by


The Hon. James Scott Peterson, P.C., M.P.