

March 2, 2005

Mr. Richard Doyle  
Executive Director  
Dairy Farmers of Canada  
Suite 1101  
75 Albert Street  
Ottawa, Ontario  
K1P 5E7

Dear Richard:

RE: Invocation of GATT Article XXVIII

This is in response to the preliminary information you provided me last week regarding the Dairy Farmers of Canada plan to persuade Parliament to consider and recommend that Canada invoke Article XXVIII of GATT against imports containing dairy ingredients. At DPAC/ATLC's Board meeting last Wednesday, our members expressed serious concerns with such a plan.

It is our understanding that Article XXVIII is a little used provision that was set out in the original GATT Agreement of 1947 and in almost 60 years Canada has rarely employed it. Indeed, it appears to be used by countries to breach or escape their GATT / WTO commitments and only in very unusual circumstances.

Such extraordinary action by Canada to further restrict imports containing dairy ingredients would no doubt provoke our major trading partners (U.S., E.U., Australia, New Zealand, etc.) into retaliatory actions that could negatively impact not just our dairy sector but other Canadian agri-food stakeholders. Canada would be forced to offer up significant compensation that our trading partners need not negotiate with us but could demand unilaterally.

We are surprised that DFC would want to pursue this with our Government at this particular time. One hundred and forty-eight countries, including Canada as one of the founding members, are currently in the midst of the WTO Doha round of negotiations. Our Board believes that the tactic of trying to persuade Members of Parliament to recommend such an extreme and anti-trade measure at this time could reflect badly on our industry domestically and on Canada internationally.

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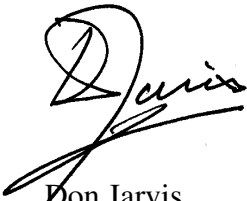
Such action would fly in the face of where our industry needs to go in a new WTO future. Our Chairman at DFC's Annual Policy Conference last month stated:

*" We believe, as processors, that our industry (not just processors, not just producers, but our entire industry) does not have a game plan to compete in that environment. In fact, the dairy industry seems to be looking to counter this trend by looking for more protection to increase tariffs in a world of opening borders. We believe this is dangerous!"*

*"We see an environment that uses supply management as its foundation, but that establishes an environment that enables us to innovate and grow . . . one that focuses not on protection and that includes the ability to compete in export markets."*

We would encourage DFC to provide DPAC/ATLC more details on this proposed initiative and to reconsider before taking such action.

Sincerely,

A handwritten signature in black ink that reads "Don Jarvis". The signature is stylized with a large, looping initial "D" and a long, sweeping underline.

Don Jarvis  
President and CEO

c.c. DPAC/ATLC