

## BACKGROUND

on

### Minister Strahl's February 7<sup>th</sup> Announcement:

*“that he would be asking the Canadian Food Inspection Agency (CFIA) to launch a regulatory process related to compositional standards for cheese.”*

### DPAC/ATLC

- Dairy Processors Association of Canada / Association des Transformateurs Laitiers du Canada (DPAC/ATLC) is Canada's national industry association representing the public policy and regulatory interests of the Canadian dairy processing industry.
- The dairy processing industry employs 26,000 people in Canada and accounts for \$11 billion dollars in sales on an annual basis. Last year dairy processors in Canada produced approximately 350,000 tonnes of cheese.
- DPAC/ATLC has completed an Impact Analysis (available on DPAC/ATLC's website at [www.dpac-atlc.ca](http://www.dpac-atlc.ca) - Regulatory and Policy Issues – Submissions) based on information it has gathered over the past two months from its members, Government and other sources.

### Regulatory Process

- DPAC/ATLC and its members are seriously disturbed about the lack of transparency and consultation. The purpose of the regulatory changes has not been made public and CFIA has not released any written or official information which makes a mockery of a supposedly scientific and transparent regulatory process.
- The new Government of Canada Regulatory Policy published April 1, 2007 states: “Departments and agencies are responsible for identifying interested and affected parties and for providing them with opportunities to take part in open, meaningful and balanced consultations at all stages of the regulatory process.”
- A revised and updated set of regulations for cheese and all other dairy products (Version 9 of the Dairy Product Regulations) to modernize Canadian regulations supported by CFIA, dairy processors, importers and other stakeholders (except dairy producers) has been waiting since 2003 and now is further delayed as a result of Minister Strahl's initiative.

.../2

### **Dairy Farmers of Canada (DFC) Objectives**

- The regulatory proposal supported by DFC stems in large part from the loss of the WTO ruling that mandated that Canada could no longer export skim milk powder.
- Since September 2003 and the WTO loss, a major focus of DFC has been to demand that the Government radically alter its basis for Canada's dairy product regulations in order to maximize processors' purchases of raw full-fat milk, ignoring cheese making requirements and modern dairy technology.

### **Modern Cheese-making and Dairy Technology**

- Processors have developed technology so that whey protein can be added back to their cheese vats... That increases their yields, or amount of cheese made, from every hectoliter of milk they process.
- The use of whey protein is facilitating the production of low-fat cheese. The use of whey protein is a contributing factor to the growth of light cheese and consequently leading to less butterfat consumption.
- The use of whey protein is having a similar effect on yogurt production by improving the quality and sales growth of low fat yogurt.

### **CFIA's Proposed Regulatory Changes for Cheese**

- Based on verbal information provided by CFIA over the past two months DPAC/ATLC understands that:
  1. The new regulations will impact all standardized cheese other than processed cheese.
  2. The regulations will establish a new standard for cheese based on the source of dairy protein used by processors in the manufacturing of these cheeses.
  3. More specifically, CFIA will put into regulation ratios that limit the use of whey protein and other natural dairy ingredients (skim milk powder, milk protein and whey protein concentrates).
  4. The regulations for cheese under the Food and Drugs Act will be revised to allow the use of the ingredients referenced in those ratios.
  5. CFIA will apply and enforce this new regulatory standard for cheese to both domestically produced and imported cheese and further processed food products containing cheese – both Canadian-made and imported.

### **Health / Consumer Issues**

- These proposed revisions to the cheese standards will impact the ability to produce affordable and high quality regular cheese and low fat cheese, develop new products and meet increasing consumer demand for low fat dairy products.
- It is estimated that the costs associated with reformulation would increase the cost of cheese at retail to the consumer 10-15% per year.

.../3

### **Environmental Issues**

- It is calculated that reformulation of cheese based on the proposed new standards would result in an additional 300 million litres of whey annually for which there are few customers. Environmental rules effectively make disposition almost impossible and very costly.

### **Trade Issues**

- There are reliable estimates that at least 30% of cheeses imported into Canada (\$100,000,000 annual value) would not comply with these proposed standards. These proposed new cheese standards will further isolate the Canadian cheese and food industry from world markets. Other regulatory regimes permit the uninhibited use of modern milk ingredients in cheese making.
- If these new cheese standards are promulgated, it would be highly probable that Canada's trading partners will challenge the imposition of what are essentially new non-tariff trade barriers through NAFTA and the WTO.

### **Economic Issues**

- Changes such as those being proposed for cheese that freeze or reverse technological innovations will make the industry less competitive and result in decreased investment.
- The proposed regulatory change would exacerbate the difficulty of industry growth in the dairy sector at a time when the new Agriculture Policy Framework encourages new uses and innovations in all agriculture and food sectors.

### **Other Impacts**

- Some imported cheeses will not meet these new standards resulting in bizarre situations like cheddar originating in County Cheddar in the U.K. that could not be labelled a "cheddar" in Canada because it might not meet the proposed protein source cheddar standard for cheese.
- Canada's dairy processors already face raw milk costs that are one of the highest in the world. Even higher costs as a result of these new restrictions will drive the food service and further processing food industries to purchase analogs (vegetable based alternatives).
- The new regulations will impact manufactured foods containing cheese as an ingredient (either made in Canada or imported). Estimates of the value of these traded products (on a NAFTA basis alone) are \$750,000,000 - \$1,000,000,000 annually and could be much higher.
- The new proposed regulations will have an impact on consumer price and demand, lower consumption and ultimately further reduce milk production across the country.

Dairy Processors Association of Canada /  
 Association des Transformateurs Laitiers du Canada  
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