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NEWS RELEASE

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New incentives needed to reduce dairy product surplus

Guelph, ON (July 28, 2005) – Incentives to reduce the structural surplus of skim milk powder (SMP) and milk proteins are necessary to keep Canada’s dairy industry vibrant according to a new George Morris Centre report.

The current pricing structure for milk components is not sustainable given that supply is exceeding the demand for non-fat milk solids, says Al Mussell, study author and senior research associate at the Centre. The surplus is substantial due to several factors including: the domestic demand for these products in Canada is saturated, products generally have a relatively low value, and because of the World Trade Organization dairy export decision relating to subsidized exports of SMP, Canada’s export opportunities for these products are limited. At the same time, producers have increased production of components used to make SMP relative to butterfat to cover high quota costs.

“The cost of removing SMP from the system must be covered from the producer revenue pool,” says Mussell. “This is significant because the prospects for the traditional disposal channels for these products are diminishing.”

The report suggests that more active debate is needed toward potential alternatives, including the enforcement of import controls and a realignment of the pricing and quota systems. “The choice has been made to market milk through supply management in Canada,” says Mussell. “If this system is to remain viable into the future, consideration of changes are warranted to save it from the structural surplus it has created.”

The George Morris Centre is a national, independent, not-for-profit think-tank specializing in the Canadian agri-food sector. The Centre provides perspective, critical information, strategic analysis and planning, and education on issues affecting the sector to promote its environmental and economic sustainability.

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The complete GMC report entitled “*Getting Serious About the Structural Surplus of Skim Milk Powder*” is available on the homepage of the George Morris Centre website at:
www.georgemorris.org

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