



# Cross border connections

## – farmers working together for better dairy policy

—by Cathy Holtslander, NFU Director of Research and Policy

On April 1, 2017 Canada implemented a new milk class and world-price-based pricing regime for all skim milk solids that the dairy industry believes meets Canada's World Trade Organization obligations. The new milk class allows Canadian milk protein ingredients to compete with American diafiltered milk imports (see box on page 3). In spite of having a year's notice of the impending change, a large Wisconsin processor and diafiltered milk exporter gave its farmers just 30 days notice that it would no longer be buying their milk, throwing 75 farm families into crisis.

On April 18, US President Donald Trump made a speech to Wisconsin farmers, saying "We are also going to stand up for our dairy farmers in Wisconsin. And I've been reading about it, I've been talking about it for a long time, and that demands, really, immediately, fair trade, with all of our trading partners. And that includes Canada." He went on to say, apparently referring to our supply management system and/or NAFTA, "It's another typical one-sided deal against the United States, and it's not going to be happening for long. So . . . we're going to get together and we're going to call Canada, and we're going to say 'what happened?' And they might give us an answer, but we're going to get the solution, not just the answer, OK, because we know what the solution is, all right?"

In response to President Trump's speech, the NFU tweeted a solution to the President and sent the media and American family farm advocacy groups the following message to inform them of our action:

### Canada's NFU tweets President Trump a solution to US dairy crisis

*(April 20, 2017 - Courtenay, BC). Today, the President of National Farmers Union (NFU) sent US President Donald Trump a letter via Twitter, encouraging him to adopt a solution that would make America's dairy farmers great again.*

*"We have compassion for American family farmers who are experiencing record low farm-*



@realDonaldTrump #NFUCanada has solution to make America's dairy farmers great again - read our letter here [bit.ly/2or2Jng](http://bit.ly/2or2Jng)

*gate milk prices. We understand many are forced to take on terrible debt loads. Those who cannot survive this crisis are seeing their hopes and dreams dashed. This is the very situation our own farmers were in 50 years ago," said Jan Slomp, NFU President.*

*"In President Trump's speech on Tuesday, he said he wasn't just looking for answers, he is looking for a solution," said Jan Slomp, NFU President. "We decided to share with the President the principles of a system that will work for dairy farmers, rural communities, processors, workers, consumers and governments.*

*"American dairy farmers are facing the same problems dairy farmers in the European Union, New Zealand and Australia are struggling with: prices so low they don't cover the cost of production. When everyone tries to make up for low prices by producing more of a perishable product, it just makes the problem worse," explained Slomp. "The USA cannot solve its dairy crisis by taking over the Canadian dairy market and putting our farmers out of business. But if it adopts its own supply management system, it could begin to restore prosperity to rural America."*

*"This solution, which we call Supply Management, was created by Canadian farmers and governments in the late 1960s. Instead of exporting milk, we would be pleased to export this unique and successful dairy policy innovation," added Slomp.*

The two-page letter to President Trump is available on our website at <http://bit.ly/2or2Jng>.

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As a result of our letter and media release, we made contact with the Wisconsin chapter of the American National Farmers Union (a completely separate organization from ours). With their permission, we sent the Canadian media *Milking Scapegoats*, by their member, Chris Holman, along with the following introduction from the WFU:

*Wisconsin Farmers Union welcomes the opportunity for discussion between U.S. and Canadian dairy farmers. We very much need to build a shared understanding about the economic and political forces that are shaping the future of our dairy farms. Chris Holman's opinion piece provides a clear explanation of how U.S. dairy policy has failed our farmers, and a clear refutation of the attempt to blame Canada for that failure. We are working to engage U.S. farmers in supporting a dairy policy that manages overproduction and provides price stability, and we welcome the chance to work with Canadian farmers in finding common ground around solutions that benefit family farmers in both of our countries.*

While the full commentary is too long to reprint in full here, the following excerpt describes the situation of American dairy producers:

*The key piece of information in this story is that U.S. dairy farmers are simply producing too much milk. According to data from the U.S. Department of agriculture, 43 million gallons of milk\* were dumped in fields, manure lagoons or animal feed or were discarded at plants just in the first eight months of 2016.*

*Farmers are caught in a vicious cycle. When markets are up, farms often expand and production increases to take advantage of better prices. When the milk supply goes up and markets are down, farms often expand and production increases as they try to keep their heads above water. If that's not a recipe for more of the same, I don't know what is.*

*Here in Wisconsin, state programs like the Grow Wisconsin Dairy 30x20 Initiative have made the situation even worse. Beyond pushing Wisconsin dairy farmers to reach 30 billion pounds of milk production by 2020, the initiative—with no sense of irony—provides grants “to improve the long-term viability of Wisconsin's Dairy Industry.” If you dive into data from USDA and the Wisconsin Agricultural Statistic Service, we've lost 2,411 dairy farms since March 2012 when the 30 x 20 initiative was announced. That's an average of almost 500 dairy farms per year. We are growing our production but it is being done by fewer and fewer, larger farms.*

*This all has a predictable end. Refusing to change our policies in agriculture right here at home will lead us further down the road to monopoly. We're already firmly in the grasp of oligarchic practices with a small handful of massive, multinational conglomerates running the show in most sectors of agriculture.*

*Consolidation of land, farms, and corporations coupled with the death of the midsize farmer is encouraging ever more mergers, more vertical integration and more distance between your average citizens, the food they eat, the farmers who produce the food and the rural landscape that used to be the backbone of the nation. If farmers continue to accept this as some sort of unavoidable reality, we will have to take prices that guarantee a future no one but the titans of industry can navigate once they've shrugged us all off. (see <http://bit.ly/2pMbZDq> for the complete article)*

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Supply management is an institution that provides farmers with collective market power that effectively counters the ever-more concentrated commodity buyers, processors and retailers ...

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In contrast, under Canada's supply management system we continue to have a dairy sector that provides a living for families who operate smaller and medium-sized farms. Our average herd size is about 100 cows in Western Canada and 60 to 70 cows in Eastern Canada, which is compatible with good local ecosystem health and animal welfare. Dairy farmers' income stability often provides an economic anchor in their communities when other agricultural products or industries experience instability and insecure incomes. In addition to their economic contributions, our viable dairy farms contribute to rural employment, quality of life and a stronger social fabric.

Supply management is an institution that provides farmers with collective market power that effectively counters the ever-more concentrated commodity buyers, processors and retailers who use their power in other agricultural sectors to take an ever-greater share of the

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\*43 million US gallons is 163 million litres, equivalent to the annual production of 450 fifty-cow dairies.

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grocery-store food dollar. Without market power, farmers cannot count on reliable future revenues, making it very difficult or impossible for young farmers to get needed financing to realize their plans and dreams.

In 2016 the NFU produced a major report, *Strengthening Supply Management - Defending Canadian control of our market space and advancing food sovereignty*. The report examined the strengths and weaknesses of our current system and made recommendations for improvement. The NFU has always opposed the capitalization of quota, and this report suggests ways to move towards more equitable ways of allocating quota. All of the supply managed sectors have new entrant programs that help young people get started. While these are beneficial, we continue to push for even better ones, as well as ways to provide greater diversity of production systems in response to both consumers' and farmers' preferences. To read the full report, go to <http://bit.ly/2oUCWUy>.

If you are a dairy farmer, or you know a dairy farmer, we would like to hear from you. We have a unique opportunity to build farmer-to-farmer relationships with the Wisconsin Farmers Union, as well as our Via Campesina sister organization, the National Family Farm Coalition and other allies to promote better policy on both sides of the border. If you would like to share your story with family farmers in the USA, please send an email to [nfu@nfu.ca](mailto:nfu@nfu.ca). Thanks!



## What is diafiltered milk all about?

Diafiltered milk was invented by American dairy processors looking for a way to circumvent Canada's tariff barrier and make it possible to export surplus milk into Canada. It is produced by passing skim milk through a membrane to separate out the milk proteins. This produces a very thick, high-protein liquid. To further concentrate the protein, it is diluted so it can be filtered again, removing more of the non-protein components. With the resulting very high protein concentration, the liquid is no longer classified as a dairy product under international trade definitions. Instead, it can cross the US-Canada border as a "protein ingredient" tariff-free. Once inside Canada, dairy processors were purchasing the low-priced product then using it as "milk" when making cheese, displacing milk produced on Canadian dairy farms.

Diafiltered milk imports increased dramatically, causing Canadian dairy farmers to lose about \$231 million in revenues per year. Dairy farmers urged the government to resolve the ingredient versus milk contradiction by enforcing compositional standards for cheese that should have prohibited the use of diafiltered milk. This has not happened, so the alternative response has been to provide for the sale of skim milk solids at world prices within Canada. Canadian dairy processors are starting to shift to domestic sources of low-cost milk protein ingredients, which has angered the American processors selling diafiltered milk into Canada.

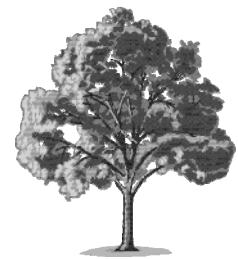
## Save a tree, save a stamp AND save the NFU some money!!

Postage rates and printing costs keep going up and it's easier than ever to distribute documents electronically so we will begin offering the **Union Farmer Newsletter** via email in 2017. We would like to encourage you to switch from paper to PDF so we can allocate more money to organizing, research and advocacy for family farmers.

If you would like to get the electronic version of the newsletter in your email in-box instead of getting the paper version in your mail box, please let us know.

**Send an email to [nfu@nfu.ca](mailto:nfu@nfu.ca) with the subject line "Newsletter by Email". Include your name, NFU membership number and/or mailing address in the body of the message.**

*Thanks for helping lower our publication costs!*



# Proposed *Safe Food for Canadians* regulations at odds with food policy mandate

—by Cathy Holtlander, NFU Director of Research and Policy

The 2012 *Safe Food for Canadians Act (SFCA)* amalgamates the powers of inspection, safety, labelling and advertising, import, export and interprovincial trade of food commodities formerly under the *Fish Inspection, Meat Inspection, Canada Agricultural Products* and the *Consumer Packaging and Labelling Acts*. New regulations based on this Act are required to spell out how these powers will be implemented by the Canadian Food Inspection Agency (CFIA). In January 2017 the CFIA announced a 90-day public consultation on its proposed SFCA regulations. The NFU responded with three complementary submissions (see <http://www.nfu.ca/policy/2017> for links to the full briefs).

The NFU Direct Marketing Committee submission focuses on implications for farms that direct market, especially in communities that straddle provincial boundaries. The NFU in New Brunswick submission focuses on implications for New Brunswick farmers. The submission prepared by the NFU national office focuses on the proposed regulation's impact on fresh fruit and vegetable growers and the organic sector.

In our March 2017 Newsletter we exposed the agribusiness-led Public Trust PR campaign as a strategy for large corporations to avoid regulatory restrictions. If, as claimed, regulation is not needed when public trust is present, it is worth asking why the proposed SFCA regulations place an expensive and unnecessary regulatory burden on sectors that have legitimately earned a high degree of public trust – direct market sales and certified organic production. The face to face relationship between direct marketing farmers and their customers embeds traceability and accountability in the sales transaction itself. Certified organic products are backed by a field to grocery store shelf paper trail that guarantees compliance with the Canadian organic regulation, providing both traceability and accountability. The proposed regulation would add significant costs and barriers to both, putting them at a competitive disadvantage within the Canadian marketplace and against imports from the USA and other trading partners.

The proposed regulation would move *Organic Products Regulations* to the *Safe Food for Canadians Act*. This would put it under the Minister of Health instead of the Minister of Agriculture where it is now. Organic certification is about how organic products are produced.

It is not a food safety claim. Like all farmers, organic producers are required to meet food safety standards. The proposed SFCA regulations would require mandatory organic certification for all businesses that provide services such as processing, treating, handling, slaughtering, storing, and transporting of an organic product. This would replace the current compliance affidavit requirement for these activities. This measure would force these essential links in the value chain to choose between serving their certified organic or their non-organic customers. The result would be large gaps in certified organic infrastructure and a weakened rural economy overall.

Currently, organic certificates remain valid unless they are suspended or cancelled. The proposed regulation would cause them to expire after 12 months, creating a high risk of products losing their organic status due to inadvertent and unavoidable difficulties in completing the certification process at exactly the same time every year. The proposed regulation would create an unjust situation whereby components of the organic value chain could be lost due to small delays outside of the control of certified entities, damaging the integrity of the system.

The proposed regulation would also require licensing of all farmers who grow or harvest fresh fruit and vegetables and sell across a provincial boundary. Those with gross annual food sales over \$30,000 would also be required to develop and maintain a Preventive Control Plan (PCP), a type of a Hazard Analysis and Critical Control Point (HACCP) plan. According to the CFIA's analysis, their annual compliance costs would be \$6,370 annually, putting them at a disadvantage compared with farmers whose local market is within provincial borders. Farmers in the smaller Atlantic Provinces are disproportionately affected by the proposed regulation, as many communities straddle provincial boundaries. NFU in NB notes that some farmers travel just 80 km from PEI or Nova Scotia to sell in the New Brunswick's Moncton or Dieppe farmers market. The proposed regulation treats them the same as importers bringing fruits and vegetables from New Zealand, over 15,000 km away, yet the risk of contamination or spoilage is clearly of a completely different scope.

The PCP requirements are particularly onerous for farms using on-farm biodiversity to promote beneficial ecological relationships and mitigate financial risk in the

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*(Proposed Safe Food for Canadians regulations..., from page 4)*

in the face of less predictable growing conditions and volatile markets. Climate change mitigation and adaptation efforts need to support feeding our population while reducing fossil fuel use and building soil carbon. On-farm biodiversity is increasingly important to climate-friendly agriculture. As the complexity of the farm increases, the costs of developing and maintaining a PCP also increases. Thus, the proposed PCP requirement would create a perverse incentive, inhibiting adoption of beneficial farming practices based on ecological principles.

The Direct Marketing Committee pointed out that, while the proposal may streamline regulations for many agricultural sectors, for direct-to-market farms it creates significant obstacles that are not required for food safety reasons. The added cost of the proposed regulations could put them out of business just when our rural economies need more support than ever. NFU in NB noted Canadian farms are doing an outstanding job of producing high quality, safe food. Since 2013 the CFIA has only made one food safety recall that is clearly related to a Canadian farm – the needle tampering issue in potatoes from PEI, which resulted in no injuries or deaths.

According to a recent USDA GAIN report, titled *Canada Top Market for U.S. High-Value Agricultural Exports*, consumer-oriented U.S. agricultural exports to Canada are dominated by fruits and vegetables, with fresh vegetables valued at \$US1.8 billion (lettuce, turnip, onions, cauliflower and tomatoes occupying the top positions) and fresh fruits valued at \$US1.6 billion (strawberries and other berries, grapes, apples, oranges and cherries in the top spots). With the exception of oranges, Canadian farmers can grow all these crops, and with the proper policy and regulatory framework, could certainly supply some of this multi-billion dollar market. The imposition of PCP requirements onto all fresh vegetable and fruit producers would increase their costs, making them less able to withstand competition from American imports, particularly in periods when the currency exchange rate favours US sales into Canada.


Canada has organic equivalency agreements with other countries, including the USA. Canada imports significant quantities of organic food from the USA. The proposed regulation would put Canadian producers at a serious disadvantage, as the American organic rules do not require handlers of organic products to be certified, nor are their organic certificates subject to an arbitrary expiry date.

In contrast to the CFIA's proposed \$30,000 threshold for small businesses, the equivalent American food safety

program has a much higher exemption threshold for small farms. It allows a more flexible food safety promotion and reporting system for those with annual sales of up to half a million dollars selling direct to consumers, restaurants, and retailer within 445 kilometres. The US rule is not concerned about state boundaries, so farms are not discriminated against on the basis of location as the proposed Canadian regulation would do.

The CFIA proposes the widest possible application of the SFCA regulation, claiming this is needed to create a "level playing field" with our trading partners, particularly the USA. Yet there are serious contradictions between this aim and the impact the regulation would have on Canadian farmers' ability to compete with imported organic products and fresh fruit and vegetables.

Thus, the NFU recommends exempting fresh fruit and vegetable production from the regulation, or at least use the USA's scale-appropriate approach; keep the Organic Products Regulations under the Agriculture Ministry or else enact a stand-alone organic law. If the organic regulations are moved under the SFCA, remove the mandated certification of "various activities" and expiry date measures.

While the public comment period has ended, we encourage you to contact your Member of Parliament to educate them on the need for appropriate regulation that to realize the priority, "food policy that promotes healthy living and safe food by putting more healthy, high-quality food, produced by Canadian ranchers and farmers, on the tables of families across the country," as stated in the Minister of Agriculture's mandate letter. 

## ***DON'T MISS OUT!***

The NFU would like to keep you informed and up to date with the latest news and information about the issues you care about. We send out email messages – usually no more than one or two a week – with timely information such as press releases, opinion pieces, upcoming NFU events, briefs and submissions to government. We are able to provide more information, more often, by email than we can on paper.

**If you have not been getting email from the NFU, please send us your current email address.**

**Send a message to [nfu@nfu.ca](mailto:nfu@nfu.ca) with "Email Address" in the subject line.** In the body of the message provide the full name, email address, postal address and/or NFU membership number of each person in your household who would like to receive messages.

# Innovation – Product or Knowledge?

—by Lydia Carpenter with Wian Prinsloo

What constitutes innovation? As farmers and the “consuming” public we are encouraged to think of innovation as technology. It often feels like the discussion is framed to promote a product or service to fill our “needs or wants”. The notion of innovation as technology and a cure for our physical, social, environmental and even economic problems is so pervasive that it has become our contemporary paradigm for solving agriculture woes.

In farming, technological innovations have undoubtedly aided us in leading less physically taxing lives, being able to produce more food with fewer people, and in some ways becoming more autonomous. Technology, as defined by products or services that we consume in order to reduce the effort or increase the speed of our daily activities does come at a cost: economically – decreasing margins and reducing the share of the food dollar returned to farmers; socially – rural depopulation, decreasing numbers of farmers, rural school and health service closures or reductions; and environmentally – reductions in air quality, food nutrition, water purity and biodiversity.

I think it would be fair to say that agriculture as an industry has adopted this paradigm and adhered to much of its advice (marketing and promotion) over the years. We have reaped the benefits and also suffered the consequences.

Often the innovation and technology being promoted is consumable, requires financing and uses machines to do our work in place of people (and livestock). What if we begin to look at innovation in farming not only as an investment in capital intensive technologies, but as an investment in ideas, new ways of thinking and appropriate low capital or open source (non-patented) technology? We can consider innovative ideas and ways of organizing ourselves as an investment - as a way of self-improvement that enhances our communities and creates real livelihoods through cost-effective means of managing our farms and ranches and sharing our new knowledge with others. Innovation should not be defined only by capital intensive, patented and proprietary technology, but instead, it can mean ordinary people creating and expanding on knowledge that yields simple, effective and affordable ideas, methods and devices to address our every-day dynamic challenges. I think this is a powerful realization especially for those of us making our living in remote areas as primary producers of food, fuel, fibre and medicine.

## Here are a few thoughts from our farm:

### **Grazing Innovations – Management Intensive and Open Source:**

Innovation in agriculture and food production is not just about inputs and products. It is about ideas, methods and management. Currently, the grazing world is experiencing a revolution of sorts as more and more ranchers and farmers are discovering the benefits of increasing their knowledge and improving the management of their fields and pastures. Many of the benefits (reduced cost of production, increased carrying capacity, healthier soil) are gained simply by investing in some rather affordable technologies and in expanding one’s knowledge of how plants grow and respond to our management. There is a strong, established community of people who have been implementing and refining the ideas around how we graze our stock, manage our soil, and how plants respond. These folks are extremely open and willing to share their experiences and innovations in their methods and ideas.



***Photo: Sharing ideas and creating grazing plans with members of our grazing club.***

*(Innovation—Product or Knowledge, from page 6)*



***Photo:***

***Following a grazing plan and managing cattle with affordable and portable infrastructure***

### **Knowledge Sharing:**


Probably one of the greatest innovations in farming, ranching and many other occupations, has been the rapid pace in our capacity to exchange ideas. The ease with which farmers and ranchers can share information on social media platforms via live-stream video, video sharing, podcasts and blogs is phenomenal. This type of information-sharing of traditional knowledge and new ideas is open source, and thus readily available. As a result, we now have increasing pools of social capital to draw upon — people within our social network from further and further afield with many experiences different from our own. We are able to take from here and there to make ideas and methods fit our own management and environment. We are able to invest in ourselves and our management.

### **Open Source and Affordable Software:**

The growing interest in the areas of soil health and climate change mitigation via farming practices has reached Silicon Valley. New tech companies are now developing apps for the grazing community such as Pasture Map, an affordable application that helps ranchers and farmers manage their grazing planning using a smart phone or ipad computer. The app also helps its users connect with one another, making it possible for the thousands of farmers using the platform to become part of a network of people who otherwise would never have met.

Open Source Ecology is an organization that promotes economic autonomy through collaboration and the open sharing of engineering knowledge and blueprints. They are developing a set of basic machine components that will allow people to build their own industrial machines at low cost, wherever they might be located. They share

online for free the designs needed to make fifty basic industrial machines. Again, they are not only innovating in terms of how to make things, but also by expanding who is included in the creative process and building a large community of socially engaged inventors.

While some innovation is useful consumable technology products, innovation is also a nuanced and fluid process. We can innovate on our farms by sharing open source information, developing our own knowledge, skills and creativity, strengthening social relationships among farmers, and using appropriate technologies — even from other industries — for each of our enterprises. 

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*Lydia Carpenter is the NFU 1<sup>st</sup> Vice President (Policy). She and partner Wian Prinsloo co-own Luna Field Farm in south-western Manitoba where they are fully employed by the farm, managing several hundred acres of pasturelands where they raise cattle, sheep, hogs and some poultry for direct market sales to local families.*

## **INTERESTED IN POLICY?**

The NFU has several committees and working groups that provide input to the Board and staff on policy-related topics and issues. Some of these groups currently have vacancies and are looking for new participants. If you would like to get involved in any of them, please let the national office know.

**Send an email to [nfu@nfu.ca](mailto:nfu@nfu.ca) with the subject line "Policy Groups" or phone (306) 652-9465 and let the national office staff know which topics you are interested in.**

**Topics:** Climate Change, Indigenous Solidarity, Direct Marketing, Migrant Workers, GMOs and Pesticides, Trains and Grain, Seed and Trade.

