

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary - Public

Date: 4/6/2018

GAIN Report Number: CA18025

Canada

Post: Ottawa

Canadian Milk Protein Imports Declining

Report Categories:

Dairy and Products

Agricultural Situation

Approved By:

Holly Higgins, Agricultural Minister Counselor

Prepared By:

Evan Mangino, Agricultural Attaché

Report Highlights:

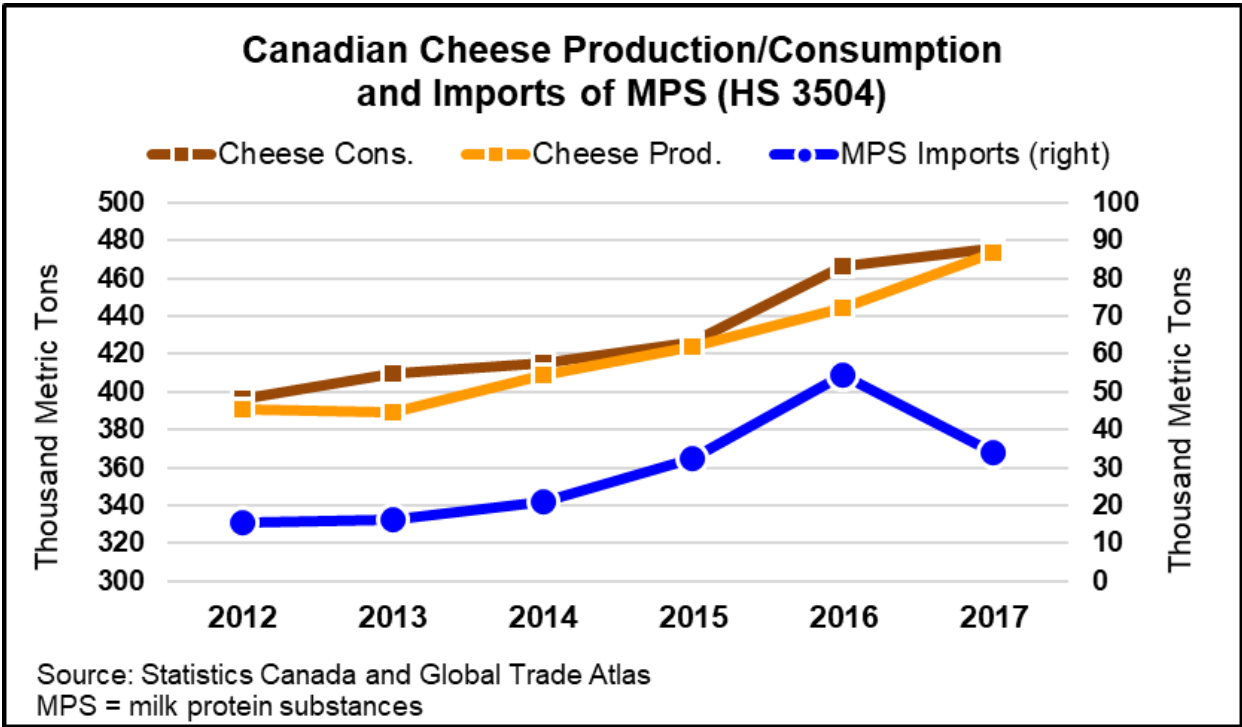
Canadian imports of milk protein substances (MPS) declined in 2017, after reaching a peak in 2016. Canada's cheese production, which has used increasing volumes of MPS, and cheese consumption have grown twenty percent over the past five years, reaching approximately 475,000 metric tons in 2017. In February 2017, Canada introduced class 7, a milk price class that provides Canadian manufacturers access to milk for ingredient processing.

Keywords: Canada, CA18025, Dairy, Ultra-Filtered Milk

Overview

Milk protein substances (MPS), like ultra-filtered milk or dry milk protein concentrates, are dairy ingredients that are high in milk protein content but low in lactose and butterfat content. Canadian processors commonly use MPS in cheese making, due to their functional properties and the increased technical and economic efficiencies.

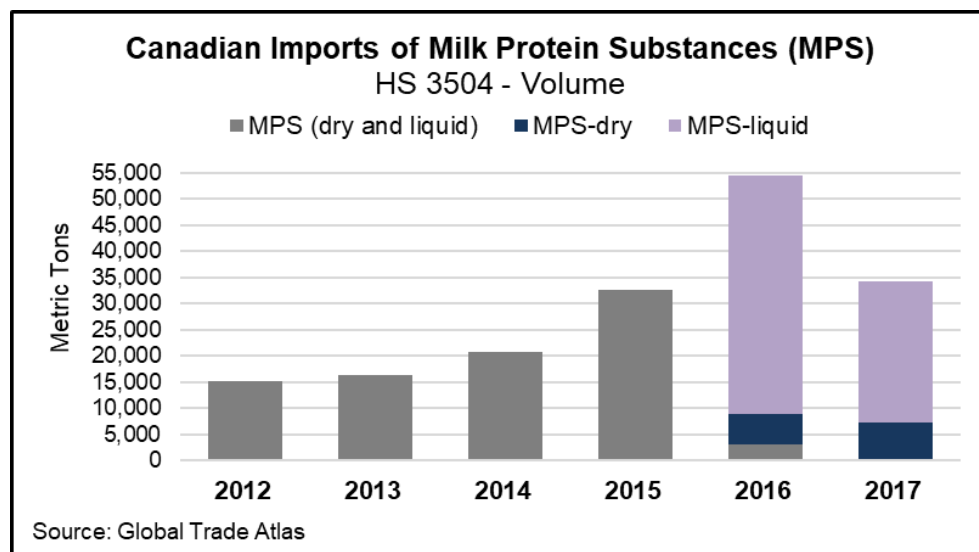
Canada’s cheese production has grown steadily since 2012, and imports of MPS had grown alongside cheese production until 2017. However, while Canadian cheese production grew another seven percent in 2017, MPS imports dropped by 37 percent.¹



Prior to 2016, Canada’s Customs Tariff did not differentiate between liquid and dry MPS. However, a February 2016 [revision](#) of the Customs Tariff added greater specificity to the MPS tariff line (3504.00), differentiating between liquid MPS (including ultra-filtered milk) and solid MPS (e.g., dry milk protein concentrates). Following that change, the share of ultra-filtered milk in Canada’s total imports of MPS became evident.

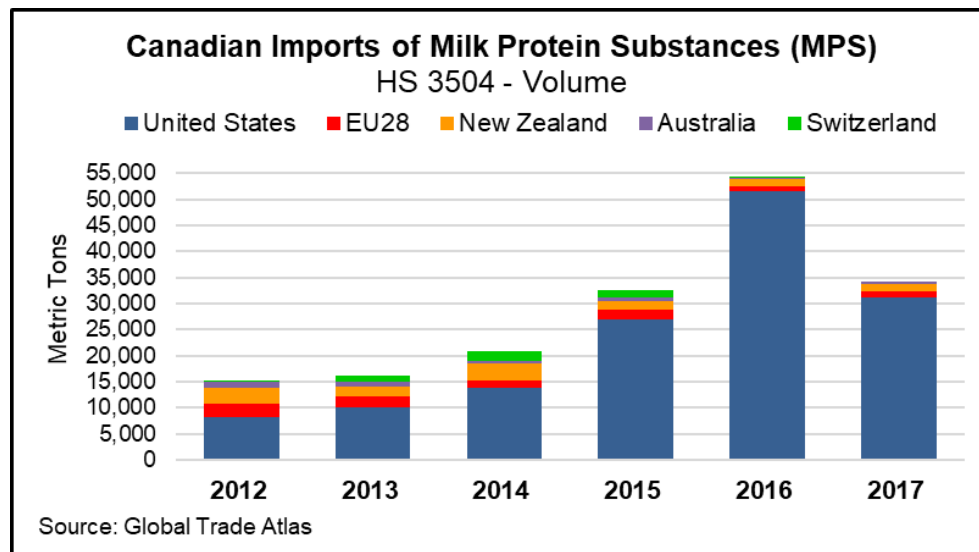
¹ All years referenced in this report are calendar years unless otherwise specified.

MPS Trade Volume



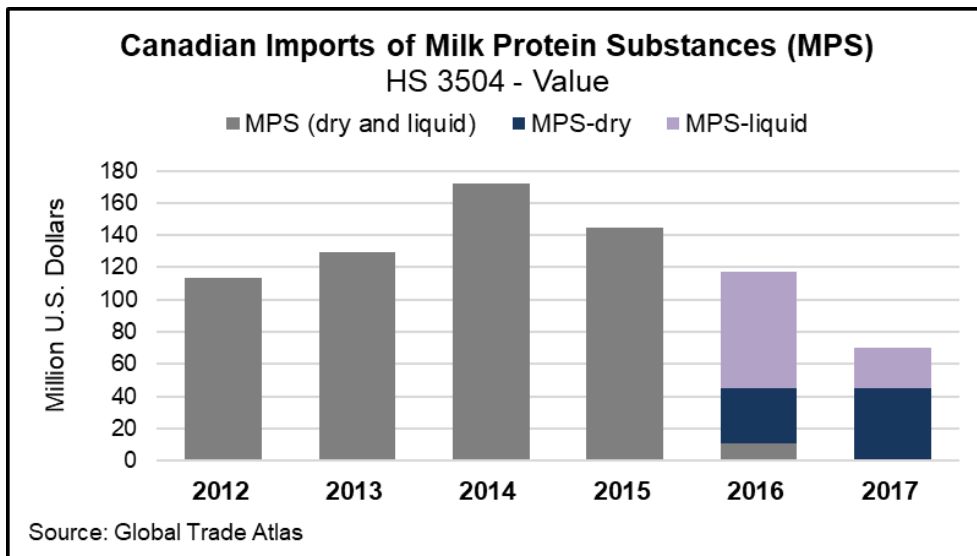
Canada imports U.S. ultra-filtered milk, because of geographical proximity, duty-free and quota-free customs treatment as well as the technical and economic advantages for cheese manufacturers. Between 2016 and 2017, the volume of liquid MPS imported into Canada fell by over 40 percent, while total MPS imports (dry and liquid) dropped by 37 percent.

The United States is Canada's largest supplier of MPS. Under the North American Free Trade Agreement (NAFTA), U.S. liquid and dry MPS enter Canada duty-free and quota-free. Since September 2017, EU suppliers have also had duty-free, quota-free access to the Canadian market under the Comprehensive Economic and Trade Agreement (CETA). MPS imports from New Zealand, Australia and Switzerland enter Canada under a [10,000 metric ton tariff-rate quota](#) (TRQ) introduced in [September 2008](#). During the 2016/2017 (April to March) MPS quota year, the TRQ fill rate was 27 percent.

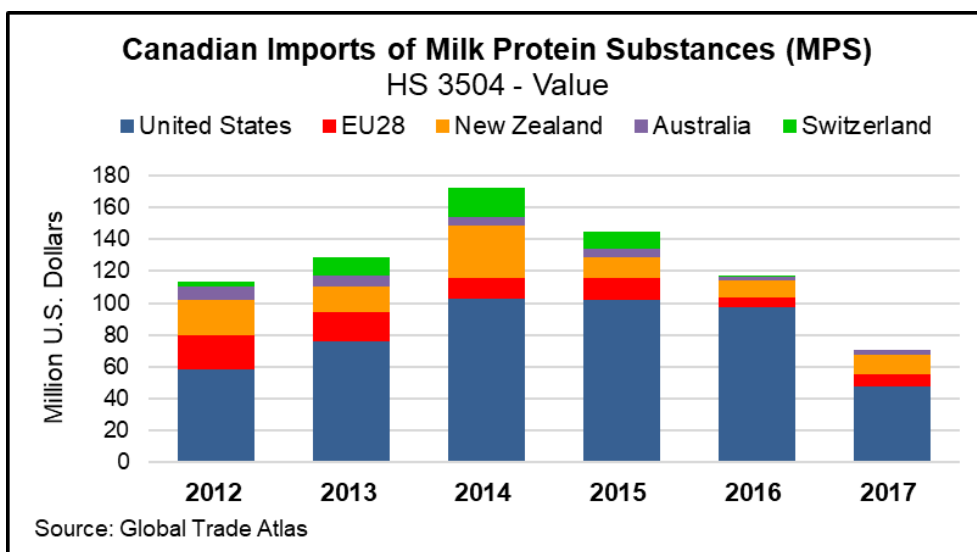


MPS Trade Value

The value of Canadian imports of liquid MPS (ultra-filtered milk) fell 65 percent between 2016 and 2017, dropping from \$72 million to \$25 million. The value of Canada's imports of U.S. liquid MPS fell 85 percent year-on-year in January 2018 compared to January 2017, declining by more than \$5 million.²



Overall, Canadian total MPS imports (dry and liquid) declined by 40 percent in 2017 year-on-year, falling from nearly \$118 million in 2016 to \$70 million in 2017. Total imports of MPS from the United States dropped from \$97 million in 2016 to \$47 million in 2017, a 51 percent decline.



² All dollar values are reported in U.S. dollars.