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Supplemental Butter Imports Required to Meet Demand

Report Categories:

Agriculture in the News

Dairy and Products

Policy and Program Announcements

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Report Highlights:

Low domestic butter supplies have forced the Canadian Dairy Commission to request supplemental import permits for the first time in at least 10 years to meet Canadian domestic demand. Domestic demand gaps require an estimated 2000 metric tons of supplemental butter, sourced mainly from the U.S. and New Zealand. The Canadian dairy supply management system is intended to prevent production shortfalls by matching domestic butterfat production (milk) with domestic demand.

Supplemental Butter Imports Required to Meet Domestic Demand

Low domestic supplies of butter have forced the Canadian Dairy Commission (CDC), the sole butter quota holder, to request the Government issue supplemental import permits above the established annual import tariff-rate quota level of 3,274 metric tons (MT). It is estimated that at least 2,000 metric tons of supplemental butter, equal to 60 percent increase over the established TRQ, will be needed over the dairy year from August 1, 2015 – July 31, 2016. Trade data published by Canada's Department of International Trade shows that as of December 9, 2015, butter imports reached 3,912 MT¹, exceeding the permitted access levels of 3,274 MT within the first 5 months of the 2015/2016 dairy marketing year. Import levels above the established tariff rate quota (TRQ) for butter and fats and oils derived from milk has not happened for at least 10 years. Most of the butter will be directed to the further processing sectors as ingredients in their products (such as cakes, cookies, pies etc.). The supplemental butter is being procured from the United States and New Zealand.

The decision of the CDC to request supplementary import permits has been controversial. Canadian dairy farmers are troubled that butter imports are necessary to meet domestic demand. However, this action was required due to unanticipated, sustained domestic demand for butterfat which the supply managed dairy system in Canada has not been able to respond to. The CDC, which forecasts butterfat demand for Canada and then issues production quota to the provinces, reports that domestic butterfat demand has increased 4 percent between the periods of December 2014 and December 2015, when demand usually fluctuates around 1 or 2 percent. The unforeseen sustained demand has meant that production levels were not set high enough. The lower production levels diminished the ability to build 2015 stocks which the industry could draw on in times of higher-than-average demand.

Global Affairs Canada's Tariff Rate Quota Utilization Tables Aug 1 - Jul 31 (Dairy Year) as of December 9, 2015:

Tariff Code	Tariff Description	Global Quota	IROP
405101000	BUTTER THAT IS CLASSIFIED UNDER TARIFF ITEM NO. 0405.10.10 IN THE LIST OF TARIFF PROVISIONS SET OUT IN THE SCHEDULE TO THE CUSTOMS TARIFF	3,912	2,242
405201000	DAIRY SPREADS THAT ARE CLASSIFIED UNDER TARIFF ITEM NO. 0405.20.10 IN THE LIST OF TARIFF PROVISIONS SET OUT IN THE SCHEDULE TO THE CUSTOMS TARIFF	0	16
405901000	FATS AND OILS DERIVED FROM MILK, OTHER THAN BUTTER OR DAIRY SPREADS, THAT ARE CLASSIFIED UNDER TARIFF ITEM NO. 0405.90.10 IN THE LIST OF TARIFF PROVISIONS SET OUT IN THE SCHEDULE TO THE CUSTOMS TARIFF	170	1,827
Established Global Quota Level: 3,247 MT		4,082	
		Global Quota Exceeded	