



Written Submission for the Standing Committee on Finance and Economic Affairs

Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on
certain sectors of the economy (Small and Medium Enterprise)

By: Ontario Dairy Council
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Who We Are

Ontario Dairy Council (ODC) is the voice for the dairy processing industry in Ontario. This growing industry proudly and consistently provides high quality, nutritious and delicious milk and milk products locally, nationally, and even around the globe. Collectively, ODC members contribute \$6 billion annually to Ontario's economy, employ approximately 8,000 people, and process 98% of the 3 Billion litres of fresh bovine milk produced by Ontario farmers. They also process 100% of Ontario-produced buffalo milk and nearly 100% of the goat and sheep milk produced in the province. The impact of the dairy processing sector in Ontario is indeed significant for our provincial consumers and economy.

ODC, incorporated in 1971, is a provincial not-for-profit trade association representing the interests and concerns of dairy processors in Ontario. ODC's mission is to promote progressive policy making decisions within government and regulatory bodies to ensure a profitable dairy processing industry responsible to consumer interests. Not only does ODC provide a strong united voice for the dairy processors in Ontario, it keeps its Members current on industry issues and provides them with access to technical information, training services, networking opportunities, and information on government and stakeholder opportunities and programs.

OVERVIEW

As the association representing dairy processors in Ontario, ODC seeks government support to ensure the sustainability of the dairy processing sector in Ontario into the future. The impact of COVID-19 on Ontario's dairy processing industry was significant and came at the most inopportune time as this sector was, and is still, working to mitigate the impacts of three recent trade agreements (CETA, CPTPP, and CUSMA) where nearly 10% of domestic markets were conceded to trading partners.

ODC Members request support for the dairy processing sector to manage the challenges that resulted from the COVID-19 pandemic.

They further request the Ontario government's assistance to urge the Federal Government to fulfill their promise to provide "full and fair compensation" to dairy processors for the reduction in domestic market share caused by Canada's three recent trade agreements.

RECOMMENDATIONS

Recommendation #1 – Support for COVID-19

Dairy processors are among those named as essential services during this COVID-19 situation. While they continued to work through the entire pandemic ensuring that grocery stores were stocked with sufficient nutrition-rich dairy products, many did not meet the criteria for COVID relief programs. Many dairy processors lost up to 80% of their food service business overnight (only minimally offset by increased retail sales), incurred significant revenue losses due to excess inventory and short-life inventory that had to be disposed of or donated, and continue to deal with staffing issues and employee absenteeism/apprehension. At the same time, they are subjected to millions of dollars in new costs (plexiglass, face masks, sanitizers, social distance spacing, etc.) to keep employees safe. These new challenges and increased costs have further complicated an already delicate environment for dairy processors.

ODC asks that the government implement new programs or expand existing programs so that dairy processors can manage these new COVID-19 challenges into the future. Assistance in the following areas is suggested:

1. Funding to support e-commerce development.
2. Financial support for infrastructure to support current and future physical distancing.
3. Reimbursement of costs for precautionary measures and PPE.
4. Assistance to cover costs associated with recruiting and maintaining employees.
5. Funding to cover costs related to disposed/donated/lost sales due to surplus product.

Recommendation #2 – Full and Fair Compensation

As mentioned above, the timing of the COVID-19 pandemic could not have come at a worse time. The dairy processing industry has been hit very hard by recent trade deals where approximately 10% of domestic markets, or \$320 Million in annual sales (when FTAs are fully implemented) were conceded to trading partners. Furthermore, global export restrictions on skim milk powder, milk protein concentrates and infant formula, which were negotiated by the Canadian Government as part of CUSMA, coupled with July 1, 2020 entry into force (one month early) resulted in additional multi-million-dollar impacts for dairy processors.

Because of the trade agreements, dairy processing companies are now challenged with greater market instability. Any innovative developments and/or market opportunities will now only replace the lost/foregone markets before they can be realized as actual growth. For dairy processors to have sustainable operations within Canada's supply managed industry, stable conditions are required.

The Federal Government has repeatedly committed to a compensation package for processors as a result of the trade agreements but, to-date, only producers (farmers) have received support. While not a result of COVID, fulfillment of the Federal Government's promise would certainly assist dairy processors during this difficult and unpredictable time.

ODC asks that the Government of Ontario provide assistance by urging the Federal Government to fulfill their promise to provide "full and fair compensation to dairy processors" for the lost market share caused by Canada's three recent trade agreements.