



[Notice](#)



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FOOD AND DRUGS ACT  
CANADA AGRICULTURAL PRODUCTS ACT

**Regulations Amending the Food and Drug Regulations and the Dairy Products Regulations**

P.C. 2007-1953 December 13, 2007

Her Excellency the Governor General in Council, on the recommendation of the Minister of Agriculture and Agri-Food, hereby makes the annexed *Regulations Amending the Food and Drug Regulations and the Dairy Products Regulations* pursuant to

(a) subsection 30(1) ([see footnote a](#)) of the *Food and Drugs Act* ([see footnote b](#)), and

(b) section 32 ([see footnote c](#)) of the *Canada Agricultural Products Act* ([see footnote d](#)).

**REGULATIONS AMENDING THE FOOD  
AND DRUG REGULATIONS AND THE  
DAIRY PRODUCTS REGULATIONS**

**FOOD AND DRUGS ACT**

**FOOD AND DRUG REGULATIONS**

**1. Section B.08.001.1 of the *Food and Drug Regulations* ([see footnote 1](#)) is replaced by the following:**

**B.08.001.1** The following definitions apply in this Division.

"milk product" means

(a) with respect to butter or whey butter, any of the following products, namely,

(i) partly skimmed milk, skim milk, cream, buttermilk and whey cream, and

(ii) milk in concentrated, dried or reconstituted form and any product referred to in subparagraph (i) in concentrated, dried or

reconstituted form;

(b) with respect to cheese, any of the following products, namely,

(i) partly skimmed milk, skim milk, cream, buttermilk, whey and whey cream,

(ii) milk in concentrated, dried, frozen or reconstituted form and any product referred to in subparagraph (i) in concentrated, dried, frozen or reconstituted form,

(iii) butter, butter oil and whey butter,

(iv) any constituent of milk — other than water — singly or in combination with other constituents of milk, and

(v) whey protein concentrate;

(c) with respect to cream cheese spread, cream cheese spread with named added ingredients, processed cheese food, processed cheese food with named added ingredients, processed cheese spread, processed cheese spread with named added ingredients, cold-pack cheese food or cold-pack cheese food with named added ingredients, any of the following products, namely,

(i) butter, whey butter and whey,

(ii) whey protein concentrate, and

(iii) any product referred to in subparagraph (i) in concentrated or dried form; and

(d) with respect to ice milk mix, ice cream mix or sherbet, any of the products referred to in subparagraph (a)(i) or (ii) or (c)(i) or (ii).  
(*produit du lait*)

"ultrafiltered", in relation to milk, partly skimmed milk or skim milk, means that the milk, partly skimmed milk or skim milk has been subjected to a process in which it is passed over one or more semi-permeable membranes to partially remove water, lactose, minerals and water-soluble vitamins without altering the whey protein to casein ratio and that results in a liquid product. (*ultrafiltré*)

**2. (1) Paragraph B.08.033(1)(a) of the Regulations is amended by adding the following after subparagraph (i):**

(i.1) except for feta cheese, have a casein content that is derived from milk or from ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream, rather than from other milk products, that is at least the following percentage of the total protein content of the cheese, namely,

(A) 63 per cent in the case of Pizza Mozzarella cheese and Part Skim Pizza Mozzarella cheese,

(B) 83 per cent, in the case of Brick cheese, Canadian Style Brick cheese, Canadian Style Munster cheese, Colby cheese, Farmer's cheese, Jack cheese, Monterey (Monterey Jack) cheese, Mozzarella (Scamorza) cheese, Part Skim Mozzarella (Part Skim Scamorza) cheese, Part Skim Pizza cheese, Pizza cheese, Skim milk cheese and any other variety of cheese not referred to in clause (A) or (C), and

(C) 95 per cent, in the case of any other variety of cheese named in the table to this section,

(i.2) have a whey protein to casein ratio that does not exceed the whey protein to casein ratio of milk,

**(2) Section B.08.033 of the Regulations is amended by adding the following after subsection (1):**

(1.1) A cheese of a variety set out in column I of Part I of the table to this section may contain more than the maximum percentage of moisture set out in column II and less than the minimum percentage of milk fat set out in column III if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of the named variety of cheese.

(1.2) The reference to "83 per cent" in clause (1)(a)(i.1)(B) shall be read as "78 per cent", and the reference to "95 per cent" in clause (1)(a)(i.1)(C) shall be read as "90 per cent", with respect to the named variety of cheese if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of the named variety of cheese.

**(3) Part I of the table to section B.08.033 of the Regulations is amended by adding the following after item 38:**

	<b>Column I</b>	<b>Column II</b>	<b>Column III</b>
<b>Item</b>	<b>Variety of Cheese</b>	<b>Maximum percentage of moisture</b>	<b>Minimum percentage of milk fat</b>
38.1	Part Skim Pizza Mozzarella	61.0	11.0

**(4) Part I of the table to section B.08.033 of the Regulations is amended by adding the following after item 39:**

Item	Column I  Variety of Cheese	Column II  Maximum percentage of moisture	Column III  Minimum percentage of milk fat
39.1	Pizza Mozzarella	58.0	15.0

**3. (1) Subparagraph B.08.034(1)(a)(i) of the Regulations is replaced by the following:**

(i) be the product that is made by coagulating milk, milk products or a combination of those things with the aid of bacteria to form a curd and subjecting the curd to the cheddar process or any process other than the cheddar process that produces a cheese having the same physical, chemical and organoleptic properties as those of cheese produced by the cheddar process,

(i.1) have a casein content that is derived from milk or from ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream, rather than from other milk products, that is at least 83 per cent of the total protein content of the cheese,

(i.2) have a whey protein to casein ratio that does not exceed the whey protein to casein ratio of milk, and

**(2) Subsection B.08.034(1) of the Regulations is amended by striking out the word "and" at the end of paragraph (a), by adding the word "and" at the end of paragraph (b) and by adding the following after paragraph (b):**

(c) shall not be labelled or advertised as cheddar cheese that has been aged unless

(i) it is made solely with milk, ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream or a combination of those things, and

(ii) it has been aged for at least nine months and the period for which it has been aged is specified on the principal display panel of that label or in that advertising.

**(3) Section B.08.034 of the Regulations is amended by adding the following after subsection (1):**

(1.1) Cheddar cheese may contain more than the maximum percentage of moisture set out in clause (1)(a)(ii)(A) and less than the minimum percentage of milk fat set out in clause (1)(a)(ii)(B) if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of cheddar

cheese.

(1.2) The reference to "83 per cent" in subparagraph (1)(a)(i.1) shall be read as "78 per cent" if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of cheddar cheese.

**4. The French version of the Regulations is amended by replacing the expressions "produit laitier" and "produits laitiers" with the expressions "produit du lait", and "produits du lait", respectively, wherever they occur in the following provisions:**

**(a) the portion of item 7.1 in column I of the table to paragraph B.01.010(3)(b);**

**(b) paragraph (a) of the definition "food group" in subsection B.01.500(1);**

**(c) subparagraph B.08.033(1)(a)(i);**

**(d) subparagraph B.08.033(1)(b)(v);**

**(e) paragraph B.08.033(2)(a);**

**(f) subparagraph B.08.034(1)(a)(i);**

**(g) subparagraph B.08.034(1)(b)(v);**

**(h) subparagraph B.08.036(1)(b)(ii);**

**(i) clause B.08.038(1)(a)(ii)(A);**

**(j) clause B.08.039(1)(a)(iii)(A);**

**(k) clause B.08.041.1(1)(a)(ii)(A);**

**(l) clause B.08.041.2(1)(a)(iii)(A);**

**(m) clause B.08.041.3(1)(a)(ii)(A);**

**(n) clause B.08.041.4(1)(a)(iii)(A);**

**(o) clause B.08.041.7(1)(a)(ii)(A);**

**(p) clause B.08.041.8(1)(a)(iii)(A);**

**(q) paragraph B.08.061(a);**

**(r) paragraph B.08.063(a);**

(s) paragraph B.08.071(a);

(t) paragraph B.13.021(c); and

(u) the portion of subitem C.1(3) in column III of Table VI to section B.16.100.

## CANADA AGRICULTURAL PRODUCTS ACT

### DAIRY PRODUCTS REGULATIONS

**5. (1) The definitions "milk product" and "milk solids" in section 2 of the *Dairy Products Regulations* ([see footnote 2](#)) are replaced by the following:**

"milk product" means any of the following, namely,

(a) partly skimmed milk, skim milk, cream, buttermilk, whey and whey cream,

(b) milk in concentrated, dried, frozen or reconstituted form and any product referred to in paragraph (a) in concentrated, dried, frozen or reconstituted form,

(c) butter, butter oil and whey butter,

(d) milk solids, and

(e) whey protein concentrate; (*produit du lait*)

"milk solids" means

(a) in respect of a dairy product, other than cheese, for which a grade or standard is established under these Regulations, any constituent of milk — other than water or casein — singly or in combination with other constituents of milk, that has not been altered in its chemical composition, and

(b) in respect of cheese, any constituent of milk — other than water — singly or in combination with other constituents of milk; (*solides du lait*)

**(2) Section 2 of the Regulations is amended by adding the following in alphabetical order:**

"ultrafiltered", in relation to milk, partly skimmed milk or skim milk, means that the milk, partly skimmed milk or skim milk has been subjected to a process in which it is passed over one or more semi-permeable membranes to partially remove water, lactose, minerals and water-soluble vitamins without altering the whey protein to casein ratio and that results in a liquid product. (*ultrafiltré*)

**6. (1) Subsection 6(3) of the Regulations is amended by striking out the word "and" at the end of paragraph (a) and by adding the following after paragraph (b):**

(c) shall have

(i) a casein content that is derived from milk or from ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream, rather than from other milk products, that is at least 83 per cent of the total protein content of the cheese, and

(ii) a whey protein to casein ratio that does not exceed the whey protein to casein ratio of milk; and

(d) shall not be designated as cheddar cheese that has been aged unless

(i) it is made solely with milk, ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream or a combination of those things, and

(ii) it has been aged for at least nine months and the period for which it has been aged is specified on the principal display panel of the label of the product.

**(2) Subsection 6(4) of the Regulations is replaced by the following:**

(4) Cheddar cheese may contain more than the maximum percentage of moisture set out in subparagraph (3)(a)(i) and less than the minimum percentage of milk fat set out in subparagraph (3)(a)(ii) if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 of the *Food and Drug Regulations* is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of cheddar cheese.

(5) The reference to "83 per cent" in subparagraph (3)(c)(i) shall be read as "78 per cent" if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 of the *Food and Drug Regulations* is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of cheddar cheese.

**7. (1) Paragraph 26(1)(f) of the Regulations is amended by adding the following after subparagraph (iii):**

(iii.1) if the dairy product is cheese, the importer's cheese import licence number,

**(2) Subparagraph 26(1)(f)(vii) of the Regulations is amended by**

**adding the following after clause (D):**

(D.1) in the case of cheese, meets the standards set out in these Regulations,

**8. The Regulations are amended by adding the following after section 26:**

**26.01** (1) No person shall import into Canada any cheese unless the person holds a cheese import licence issued under section 26.2.

(2) Subsection (1) does not apply in respect of a shipment of cheese to which subsection 26(3) applies.

**9. Subsection 26.1(2) of the Regulations is replaced by the following:**

(2) Subsection (1) does not apply in respect of a shipment of dairy products to which subsection 26(3) applies.

**10. The Regulations are amended by adding the following after section 26.1:**

CHEESE IMPORT LICENCE

*Application for Licence*

**26.2** (1) An application for the issuance, renewal or amendment of a cheese import licence shall be made to the Director, in a form provided by the Agency, and shall contain the following information:

- (a) the name, the address, including the postal code, the telephone number and, if any, the e-mail address and the facsimile number of the importer;
- (b) whether it is an application for a new cheese import licence or for the renewal or amendment of a cheese import licence; and
- (c) the number of the importer's existing cheese import licence, if any.

(2) The application shall have annexed to it

(a) a copy of the importer's program for the recall of cheeses that do not meet the requirements set out in these Regulations, indicating

- (i) the person responsible for carrying out the program,
- (ii) descriptions of the coding system for the cheeses, and
- (iii) notification and other procedures to effect the recall;

(b) a list of cheeses expected to be imported during the period of the cheese import licence, and the country in which they originate; and

(c) if the importer has an establishment in Canada for the purpose of the preparation of imported cheese, other than a registered



establishment,

(i) plans and specifications for the establishment including descriptions of the location of the establishment in relation to adjacent facilities, intended uses of rooms, and types and locations of equipment to be used,

(ii) a copy of an outline of a sanitation program for the establishment, indicating

(A) the person responsible for carrying out the program,

(B) the equipment and chemical agents available for use to bring about and maintain clean and sanitary conditions, and

(C) the measures proposed to be taken to ensure clean and sanitary conditions,

(iii) a copy of the pest control program for the establishment, indicating

(A) the person responsible for carrying out the program, and

(B) the measures proposed to be taken to safely and effectively control insects, birds, rodents and other vermin, and

(iv) a document indicating of the source of water to be used at the establishment for drinking or for cheese preparation and a copy of a certificate of microbiological analysis of the water.

(3) In the case of an application for the renewal or amendment of a cheese import licence, the applicant is not required to provide the information referred to in subsection (2), other than the information referred to subparagraph (2)(c)(iv), unless there has been a change in the information.

(4) If the application meets the requirements of subsections (1) and (2), the Director shall issue a cheese import licence and assign a number to it or shall amend or renew a cheese import licence, as the case may be.

(5) The cheese import licence is not assignable and expires two years after the date of issue indicated on it.

**26.3** Every importer who holds a cheese import licence shall

(a) maintain the recall program referred to in paragraph 26.2(2)(a);

(b) maintain and carry out the programs referred to in subparagraphs 26.2(2)(c)(ii) and (iii), if the importer has an establishment in Canada for the purpose of the preparation of imported cheese, other than a registered establishment;

(c) provide to an inspector the certificate of microbiological analysis referred to in subparagraph 26.2(2)(c)(iv) once a year, if the importer

has an establishment in Canada for the purpose of the preparation of imported cheese, other than a registered establishment; and

(d) make available to an inspector evidence that substantiates that each imported cheese meets the requirements set out in these Regulations.

**26.4** An importer who holds a cheese import licence shall keep for two years at an address in Canada, in respect of each imported cheese,

(a) a copy of the import declaration referred to in paragraph 26(1)(f);

(b) a copy of any evidence in the possession of the importer that substantiates that the cheese meets the requirements set out in these Regulations; and

(c) a record of

(i) the product code for the cheese,

(ii) the names, addresses and telephone numbers of the persons to whom the cheese was distributed,

(iii) any complaints received about the cheese and how the complaints were handled, and

(iv) any recall carried out with respect to the cheese.

#### *Suspension of Licence*

**26.5** (1) The Director may suspend a cheese import licence if

(a) the importer has

(i) provided false or misleading information to the Director for the purpose of obtaining the cheese import licence,

(ii) failed to submit an import declaration as required by paragraph 26.1(1)(a),

(iii) provided false information to an inspector in an import declaration required to be submitted by paragraph 26.1(1)(a),

(iv) failed to make evidence available as required by paragraph 26.3(d),

(v) failed to keep a record in accordance with paragraph 26.4(c),  
or

(vi) otherwise failed to meet the requirements of the Act or these Regulations; or

(b) it is reasonable to believe that public health will be endangered if the importer is allowed to continue importing.

(2) A cheese import licence shall not be suspended under paragraph

(1)(a) unless an inspector notifies the importer in writing of the reasons for the suspension and of the date by which the importer must meet the requirements of the Act and these Regulations in order to avoid the suspension or to avoid the cancellation of the licence under section 26.6.

(3) A suspension of a cheese import licence shall remain in effect

(a) until an inspector verifies that the importer meets the requirements of the Act and these Regulations; or

(b) if a cancellation procedure has been commenced under section 26.6, until the resolution of the cancellation issue.

#### *Cancellation of Licence*

**26.6** (1) The Director may cancel a cheese import licence if the importer continues to fail to meet the requirements of the Act and these Regulations after

(a) the 30-day period following the day on which the cheese import licence was suspended; or

(b) any longer period allowed under subsection (2).

(2) If it is not possible for the importer to meet the requirements of the Act and these Regulations within that 30 day period, the Director may, on the request of the importer, allow a longer period to do so.

(3) A cheese import licence shall not be cancelled unless an inspector notifies the importer in writing of the reasons for the cancellation and the importer is provided an opportunity to be heard in respect of the cancellation.

#### **11. (1) Paragraph 28(1)(a) of the Regulations is amended by adding the following after subparagraph (i):**

(i.1) except for feta cheese, have a casein content that is derived from milk or from ultrafiltered milk, partly skimmed milk, ultrafiltered partly skimmed milk, skim milk, ultrafiltered skim milk or cream, rather than from other milk products, that is at least the following percentage of the total protein content of the cheese, namely,

(A) 63 per cent, in the case of Pizza Mozzarella cheese and Part Skim Pizza Mozzarella cheese,

(B) 83 per cent, in the case of Brick cheese, Canadian Style Brick cheese, Canadian Style Munster cheese, Colby cheese, Farmer's cheese, Jack cheese, Monterey (Monterey Jack) cheese, Mozzarella (Scamorza) cheese, Part Skim Mozzarella (Part Skim Scamorza) cheese, Part Skim Pizza cheese, Pizza cheese, Skim Milk cheese and any other variety of cheese not referred to in clause (A) or (C), and

(C) 95 per cent, in the case of any other variety of cheese

named in the table to this section,

(i.2) have a whey protein to casein ratio that does not exceed the whey protein to casein ratio of milk,

**(2) Subsection 28(2) of the Regulations is repealed.**

**(3) Paragraphs 28(3)(a) and (b) of the Regulations are replaced by the following:**

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 of the *Food and Drug Regulations* is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of the named variety of cheese.

**(4) Section 28 of the Regulations is amended by adding the following after subsection (3):**

(4) The reference to "83 per cent" in clause (1)(a)(i.1)(B) shall be read as "78 per cent", and the reference to "95 per cent" in clause (1)(a)(i.1)(C) shall be read as "90 per cent", with respect to the named variety of cheese if

(a) a statement or claim set out in column 4 of any of items 12 to 14, 16, 20, 21 and 45 of the table following section B.01.513 of the *Food and Drug Regulations* is shown on the label of the product as part of the common name; and

(b) the cheese has the characteristic flavour and texture of the named variety of cheese.

**(5) Part I of the table to section 28 of the Regulations is amended by adding the following after item 38:**

<b>Item</b>	<b>Column I</b>	<b>Column II</b>	<b>Column III</b>
	<b>Variety of Cheese</b>	<b>Maximum percentage of moisture</b>	<b>Minimum percentage of milk fat</b>
38.1	Part Skim Pizza Mozzarella	61.0	11.0

**(6) Part I of the table to section 28 of the Regulations is amended by adding the following after item 39:**

<b>Item</b>	<b>Column I</b>	<b>Column II</b>	<b>Column III</b>
	<b>Variety of Cheese</b>	<b>Maximum percentage of moisture</b>	<b>Minimum percentage of milk fat</b>

39.1	Pizza Mozzarella	58.0	15.0
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## APPLICATION

**12. Sections 1 to 6 and 11 of these Regulations do not apply to cheese that is made before these Regulations come into force.**

## COMING INTO FORCE

**13. These Regulations come into force one year after the day on which they are registered.**

## REGULATORY IMPACT ANALYSIS STATEMENT

*(This statement is not part of the Regulations.)*

### ***Description***

#### **Introduction**

The Canadian Food Inspection Agency (the Agency) is amending the *Dairy Products Regulations* (DPR) and the *Food and Drug Regulations* (FDR) by revising the existing cheese identity and compositional standards. These revised standards will harmonize existing federal regulations, enhance consumer interests by reflecting the tradition of cheese making, allow for technological advances in cheese production and provide for consistency with certain international food standards as appropriate. This amendment has been developed co-operatively with Agriculture and Agri-Food Canada (AAFC) and in consultation with Health Canada (HC) and the Department of Foreign Affairs and International Trade (DFAIT).

These regulatory amendments will continue to support the long-term growth of the dairy sector, result in the further harmonization of the relevant federal regulatory instruments, clarify the ingredients which may be used to manufacture cheese, and provide for consumer interest and choice in the market place, while allowing for industry innovation.

#### **Canadian dairy industry**

The dairy industry in Canada has been one of the slower growing sectors of the food processing industry with typically static or declining growth over the last 15 years. Changes in the domestic market place and in consumer habits are encouraging dairy companies to be more active in the development of new products. Cheese production has been one of the few product areas which has experienced growth, reaching 379 286 tonnes in 2005 from 307 076 in 1994. This increase of 24% may be explained by the rise in popularity of specialty cheeses, consumption of which has increased by 31%. Therefore, cheese is one area which provides a significant growth opportunity to the Canadian dairy industry.

## **Cheese standards in Canada and around the world**

In Canada, cheese compositional standards exist both in the FDR and in the DPR. The main purpose of these standards is to describe the basic requirements for cheese, so that cheese available to consumers has a consistent composition and characteristics. These Regulations describe the essential characteristics of cheese. Similar to other food compositional standards, those for cheese also include essential ingredients used in its manufacture, along with permitted additives.

Food standards provide a system through which consumer interests are protected and consumer expectations of a food are met. Foods may be defined or distinguished by their essential characteristics such as ingredients, compositional and physical properties, levels of certain nutrients, or the manner in which they are produced. Food standards are beneficial because they provide assurance to consumers of product uniformity, resulting in the expectation and belief that all products bearing a particular name will possess the same essential characteristics irrespective of where they are purchased, or by whom they are manufactured or distributed. Consumers have a lack of understanding of the ingredients used in cheese making and have identified that having uniform product names, with certain defined characteristics, is important to facilitate their purchase decision making as it allows them to distinguish one cheese from another.

The Codex Alimentarius Commission (Codex), an international food standard setting body, has a General Standard for Cheese (A6 General Standard) as well as individual standards for some cheeses (C Standards). These have been taken into account in this proposal. Both standards permit the use of both milk and milk products in the manufacture of cheese.

Cheese standards from Canada's major trading partners have also been considered. Although the European Commission does not have specific regulations regarding compositional standards for cheese, some member states have cheese compositional standards. France requires that cheese be made from milk, partially or totally skimmed milk, cream, fat and buttermilk, and limits the amount of proteins of milk origin. The standard in Switzerland for cheese indicates that cheese be made from milk, and ripened cheese can be made from milk and milk components. The United States of America (USA) requires that cheese be made only from milk or nonfat milk in liquid, concentrated, reconstituted or dried forms. New Zealand and Australia have compositional standards for cheese that do not specify amounts of milk and milk products.

In Canada, a comprehensive review of the requirements for cheese in both regulations was completed in the latter part of the 1970s. Subsequent to this review, a series of less significant amendments to both sets of regulations inadvertently resulted in inconsistencies between the two. These inconsistencies have created a number of application, operational and compliance issues for both industry and government. Furthermore, this has also created challenges for provincial and territorial partners in achieving consistency with federal standards.

Currently, the FDR permit cheese to be made only with milk, skim milk, partly skimmed milk, butter milk, whey cream and cream, or these same ingredients in their concentrated, dried or reconstituted form, whereas the DPR allow these same ingredients as well as whey, butter, butter oil, whey butter, whey protein concentrates and other milk solids. Technological advances in cheese making have made possible the inclusion of higher levels of milk solids in the manufacture of cheese, resulting in fewer cheeses being made solely with milk, skim milk, partly skimmed milk, butter milk, whey cream and cream. Neither the FDR nor the DPR standards permit both the flexibility in the technology used to manufacture cheese and the preservation of the essential characteristics or basic nature of the cheese. This amendment sets out standards that will provide greater product uniformity and establishes additional requirements for Cheddar Cheese that has been labelled as aged.

### **Regulatory framework**

The Regulations will eliminate inconsistencies between the FDR and the DPR with respect to cheese compositional standards. These standards are necessary to provide a benchmark to ensure cheese identity and to serve consumer interests. These amendments have considered the Codex Standards and require that cheese does not exceed the whey protein-to-casein ratio of milk, as well as clarifying the minimum percentage of proteins to be derived from milk for varietal cheeses (e.g. Havarti, Brie, Colby).

The amendments will harmonize the definition for milk product in both the FDR and DPR. This change will clarify and provide for consistency of the ingredients which may be used in the manufacture of cheese.

These amendments will add specific compositional requirements for Cheddar Cheese that has been aged. Aged Cheddar Cheese will be required to be made from milk, aged for a minimum of nine months, and specify on the label the length of time aged. Consumers will be able to differentiate aged Cheddar Cheese from Cheddar Cheese.

The revised Regulations will provide additional criteria for named varietal cheeses which would contribute to the organoleptic (i.e. smell, taste and texture) and physical properties which consumers associate with the named variety by specifying the minimum percentage of proteins to be derived from milk. The amendment will also maintain the essential chemical characteristics and nutritional composition of the cheese.

In addition, the amendments will introduce a compositional standard for Pizza Mozzarella Cheese and Part Skim Pizza Mozzarella Cheese. The food manufacturing sector has need for a category of Mozzarella Cheese that can meet complex specifications for use in food processing and food preparation. The addition of Pizza Mozzarella Cheese and Part Skim Pizza Mozzarella Cheese will allow for the manufacture of a cheese which will meet this demand.

The changes to the FDR will harmonize more closely with the Codex Standards by allowing the use of both milk and milk products in the

manufacture of cheese. As a result of this amendment there will be more compositional flexibility for varieties of cheese.

In order to provide for a fair and effective regulatory regime, the amendments will require licensing of cheese importers. This will allow the Agency to work with importers to verify that imported cheese meets the same regulatory standards as domestic cheese, and to monitor the application of safe and acceptable food handling practices.

These amendments will come into force one year from the day upon which they are registered to provide manufacturers and importers with sufficient time to modify or source products and revise labels as required. Cheese will be required to meet the standard in force at the time of manufacture, regardless of the length of time aged.

### *Alternatives*

In the development of these Regulations the following three options were considered:

#### **Option one – The status quo**

Federal regulations were not consistent with respect to the ingredients permitted in cheese making. Under the FDR, cheese was permitted to be made only with milk, skim milk, partly skimmed milk, butter milk, whey cream and cream, or these ingredients in their concentrated, dried or reconstituted form. The DPR permitted the same ingredients as well as whey, butter, butter oil, whey butter, whey protein concentrates and other milk solids. This has created operational and enforcement challenges regarding the consistent application of these Regulations, which has led to uncertainty with industry stakeholders and provincial and territorial partners.

The FDR did not reflect modern industry practices in the manufacturing of cheese. Technological advances in cheese making have enabled the inclusion of higher levels of other milk solids in the manufacture of cheese, providing flexibility in achieving higher yields and economic savings. Furthermore, the standards of the DPR were broad and the varietal name of the cheese was at risk of losing the organoleptic, chemical and physical properties typical for the variety.

Technological advances have impacted traditional cheese making so that fewer cheeses are made solely with milk, skim milk, partly skimmed milk, butter milk, whey cream and cream. The DPR did not distinguish between cheese made with milk and cheese made with milk combined with other milk solids.

This option did not address the issues associated with a lack of harmonization between existing regulations and would not completely reflect modern cheese making practices while maintaining historical varietal cheese distinctions.

#### **Option two – Conformity with international standards**



Although Codex Standards for cheese allow milk and milk products in the manufacture of cheese, internationally, regulations vary with respect to the range of ingredients permitted. Some countries have regulatory standards which restrict or limit the use of other milk solids in the preparation of cheese, whereas others have very permissive or no standards.

Due to the wide variation and lack of consistency between Codex and the standards of other countries, it is difficult to develop standards that fully reflect those in the international marketplace.

### **Option three – Modernization of the regulations**

Modernizing and harmonizing the compositional standards for cheese in the FDR and DPR allow for greater transparency and consistency in the application and enforcement of the federal regulations.

This option adds a compositional requirement for aged Cheddar Cheese as well as standards for Pizza Mozzarella Cheese and Part Skim Pizza Mozzarella Cheese. It also establishes additional compositional criteria for varietal cheeses.

This option requires licensing of cheese importers and will allow the Agency to work with them to verify that imported cheeses meet the same compositional standards as domestic cheeses.

International standards such as those from Codex and the requirements of countries including USA, France, Switzerland, Australia and New Zealand were considered in the development of this option.

This option will continue to support the long-term growth of the dairy sector, result in the further harmonization of the relevant federal regulatory instruments, clarify the ingredients which may be used to manufacture cheese and provide for consumer interest and choice in the market place, while allowing for industry innovation.

### **Conclusion**

Option three is the recommended option. This option will result in regulatory harmonization between the FDR and DPR with respect to compositional standards for cheese, encourage market growth, allow for technological innovation, ensure transparency in the marketplace and provide for consumer interest and choice.

### **Environmental impact analysis**

An environmental assessment was conducted and it was determined that the amendments have the potential to cause negative environmental effects if whey is not disposed of in an environmentally acceptable manner. However, whey can be used as a valuable commodity and there are various food and animal feed applications for whey. Alternatively, whey can be treated prior to land application or disposal as effluent.

## ***Consultation***

Since the early 1990s, extensive consultation has been ongoing with the goal of updating national standards for the dairy industry. In 1993, the Canadian Food Inspection System (CFIS), a collaborative initiative of all levels of government, was launched to develop an integrated Canadian food inspection system which would be responsive to both consumers and industry. Eight working committees, including the National Dairy Code Committee, were formed and tasked with the development of model regulations and codes with the aim of achieving national harmonization and integration objectives.

As a result, the National Dairy Code (NDC) was developed and agreed to in 1997 by dairy industry stakeholders (producers and processors) and government partners (federal, provincial and territorial) to provide a national standard for the production of milk and processing of dairy products. Governments committed to amend their respective sets of regulations to reflect that which was agreed to in the NDC.

Subsequently, the Agency and HC reviewed and proposed amendments to dairy product compositional standards in order to incorporate the concepts of the NDC. Public consultations with industry and consumer stakeholders were held in 2003, which identified a number of unresolved issues primarily related to ingredients in compositional standards. Some stakeholders felt that individual standards specifying compositional and processing requirements should be established for each dairy product in order to have meaningful standards with expected ingredients. Others recognized the need for standards to be adaptable and supported the use of a number of different ingredients to produce safe, quality dairy products for Canadians. The Agency held further consultations with industry stakeholders and provincial partners. Although the Agency proposed compromise solutions, the individual stakeholders were unable to come to an agreement.

The Minister of Agriculture and Agri-Food recognized that solutions to issues facing Canada's dairy industry could be developed by producers and processors working closely together. In 2005, the Minister created the Dairy Industry Working Group (DIWG), an industry-led initiative, to work towards reaching common ground on various dairy issues. While producers and processors reached a consensus on the need for additional compositional criteria in the standards for cheese, there were divergent views regarding permitted ingredients. Following the most recent round of DIWG meetings, and in the absence of consensus, a series of recommendations were made by the Moderator of the DIWG. Specific to compositional standards for cheese, the Moderator's proposal recommends minimum percentages of proteins derived from milk to produce various cheeses and allows for the balance to be filled by proteins from other dairy sources. These recommendations have been used as the basis for the updates to the standards of composition and identity for cheese.

## **Pre-publication results**

On June 16, 2007, the proposed Regulations were pre-published in the *Canada Gazette*, Part I, for a 75-day public comment period. During the pre-publication period the Agency met with various interested parties. The Agency received comments with respect to the regulatory process, consumer interests, industry competitiveness, environmental impacts, imports and exports, aged Cheddar Cheese, Pizza Mozzarella Cheese, enforcement and miscellaneous amendments. The Agency has reviewed and considered these comments as part of its revision of the Regulations. A summary of the comments and the Agency's responses are included below to improve understanding of the Regulations and the modifications made.

During the pre-publication period, the Agency received a number of submissions from various interested parties. These included domestic and international processor associations; foreign farmer organizations; importers; provincial partners; foreign governments; consumer, retailer, nutrition and health associations; large restaurant chains and other retailers; academia; and domestic and large multi-national dairy processors.

### **Regulatory process**

Some respondents expressed concern on how the regulatory process was carried out, specifically related to consultation. The Agency and AAFC have been consulting with stakeholders on dairy compositional standards since 2002. In 2006, the Minister of Agriculture and Agri-Food established the DIWG for focussed discussion on dairy issues, which included compositional standards for cheese. In the absence of consensus on cheese standards, the Minister announced on February 7, 2007, that a regulatory process would be launched to amend cheese compositional standards based on the recommendations of the Moderator of the DIWG. On May 1, 2007, the Agency sent a notification to stakeholders to advise them of the proposed revisions to the federal regulations for cheese. Included were the key elements of the DIWG Moderator's report specific to cheese compositional standards. During the pre-publication period, the Agency met with several stakeholder groups to exchange information and to gain further clarification of their comments. The stakeholders included representatives from associations of producers, processors, health groups, scientists, as well as from provincial, federal and foreign governments.

### **Consumer interests**

Several respondents expressed interest in ensuring that cheese would remain affordable while maintaining choice in the market place. It is not anticipated that this amendment will affect choice in varieties of cheeses available to consumers. There may be some increased cost at the retail level.

It was also stated that lower fat cheese had not been given adequate consideration and that the amendments may affect the availability and palatability of lower fat cheese. In response to these comments, modifications have been made in both sets of regulations to allow for a higher proportion of other milk products in the production of lower fat cheeses. This will maintain palatability and choice in the market

place for these cheeses.

With respect to nutrition, respondents sought clarification as to whether the amendments would affect the nutritional quality of cheese. Based on available data, there is no evidence to suggest there is any significant difference in nutritional quality between cheeses made with milk and some other milk products versus cheeses made wholly from milk. The amendments will maintain the essential chemical characteristics and nutritional composition of cheese.

### **Industry competitiveness**

Several comments were received indicating that competitiveness will be negatively impacted by the proposals.

Some respondents expressed concern that the quantitative results of the benefit-cost analysis did not fully reflect the entire costs to the dairy "value chain." The economic model was based on ingredient costs. Other economic impacts were considered as qualitative input, but could not be integrated into the economic model due to data limitations. After consideration of the comments received, further adjustments were made to the economic model and the benefit-cost analysis.

Comments received indicated that, internationally and domestically, several cheeses are typically produced using amounts of other milk products greater than that proposed for cheeses that are not cheddar and cheddar-types. They also noted that the categorization of cheeses creates a competitive advantage for some. Modifications have been made to clarify how ultrafiltered milk, ultrafiltered skim milk and ultrafiltered partly skimmed milk (ultrafiltered milks) may be used in the manufacture of cheese. Additionally, modifications have been made to address manufacturing issues for lower fat cheeses and Feta. It was also noted that Skim Milk Cheese was mistakenly omitted from the list of cheddar-type cheeses and this has been corrected.

Comments were received indicating that some cheeses utilize ultrafiltered milks and may not meet the amendment as proposed. The use of ultrafiltered milks in cheese making has been clarified and the term "ultrafiltered" has been defined. Both internationally and domestically, ultrafiltration is a common step in the cheese making process. As such, ultrafiltered milks have been included as starting ingredients along with milk, skim milk, partly skimmed milk and cream. This will provide for flexibility and maintain consumer choice.

Comments were received on the impact of the amendments on processed cheeses, cheese powders used for flavouring, and other foods using cheese as an ingredient. Cheese used as an ingredient in any other food, including in processed cheeses, must meet the standard for cheese.

Some comments expressed concern that cheese used as an ingredient would be replaced by other products formulated to be similar to cheese, but that would not meet the standards. Formulation of products and ingredients used is influenced by many factors. Provided

products are in compliance with regulatory requirements, manufacturers may use the ingredients that provide the characteristics required.

Some processors expressed concerns regarding the potential cost of the amendment to infrastructure, reformulation, and the negative impact on innovation and investment. The Agency acknowledges that there may be impacts on some cheese processors.

### **Environmental impacts**

Some respondents expressed concern regarding negative environmental effects as a result of increased whey production. The Agency acknowledges that potential environmental effects may occur should whey not be utilized in an acceptable and environmentally-friendly manner. However, to mitigate negative impacts, processors can utilize whey and whey products in various food and animal feed applications. Alternatively, whey may be processed as effluent. The Agency recognizes that these amendments may result in some increased costs to cheese processors.

### **Imports and exports**

A number of comments were received identifying potential inconsistencies with various trade agreements and international standards. These amendments have been revised to take into account the comments received and provide for consistency with international food standards as appropriate to meet Canadian policy objectives. This includes harmonizing the existing federal regulations, enhancing consumer interests by reflecting the tradition of cheese making and allowing for technological advances in cheese production.

As with the original drafting of the Regulations, the Codex standards for cheeses were taken into consideration when developing these amendments. As a result, these amended Regulations allow cheese to be made with milk and milk products, name lower fat cheeses in accordance with the Codex labelling provisions and maintain the same whey-to-casein ratio as found in milk.

Comments questioned the need for importer licensing and noted that it could be difficult for the importer to obtain documentation from foreign processors to verify that imported cheeses meet the requirements of the Regulations. To address this concern, modifications have been made to allow this information to be provided directly to the Agency.

Importers may be subject to some additional record keeping to demonstrate compliance with regulatory requirements, including those related to health and safety. Importers are required to document good importing practices as part of the licensing scheme. Similar requirements currently apply to domestic processors. The importer licensing provision will allow the Agency to identify and work with importers to promote compliance.

Concerns were also expressed that some imported cheeses would not meet the proposed standards as they are typically made using amounts

of other milk products greater than those proposed. In response, modifications have been made to clarify how ultrafiltered milks may be used in the manufacture of cheese. This will serve to mitigate some of these concerns.

### **Aged Cheddar Cheese**

A number of comments were received in relation to the traditional Cheddar Cheese proposal. Some suggested that "traditional" be applied to all cheeses, not only cheddar. Others questioned what would be considered the traditional cheddaring process. Some comments expressed interest in replacing "traditional" Cheddar Cheese with "aged" Cheddar Cheese.

In response to the comments, the specific requirements for "traditional Cheddar Cheese" were removed from the amendment and the requirements for aged Cheddar Cheese have been added, consistent with the Moderator's report. This product is required to be made with 100% casein from milks or ultrafiltered milks, aged a minimum of nine months, and must specify on the label the length of time aged. The claim "traditional" may be made on cheese for additional consumer information, provided the label is truthful, not misleading, and is in accordance with applicable legislation.

Comments were received which expressed concern that cheese undergoing the aging process and produced before the implementation date may not comply with the revised standards when fully aged and packaged for sale. As a result of these comments, changes have been made to clarify that cheese will be required to meet the standards in force at the time of manufacture, regardless of the length of time aged.

### **Pizza Mozzarella Cheese**

Comments were received that Pizza Mozzarella Cheese and Part Skim Pizza Mozzarella should be restricted to further manufacturing use only. It was also suggested that the introduction of these standards creates an unfair competitive advantage for mozzarella-type cheese over other cheeses. Mozzarella is the cheese that is primarily used for manufacturing purposes. The Pizza Mozzarella Cheese standards have been developed to meet the needs of food processing and preparation industries. In order not to limit consumer choice, the use and point of sale of Pizza Mozzarella cheeses have not been restricted.

Additionally, comments stated that the moisture levels established for Pizza Mozzarella Cheese were too high. The Pizza Mozzarella Cheese and Part Skim Pizza Mozzarella Cheese standards have been modified to reduce the moisture levels to those found in Codex for low-moisture Mozzarella Cheese.

### **Enforcement**

A number of comments identified concern regarding enforcement, noting that it would be difficult to verify compliance as no analytical testing methodology is currently available. It is the responsibility of

domestic processors and importers to comply with the requirements of the Regulations. Registered domestic processors and licensed importers are responsible to develop good manufacturing and importing practices which include documented programs and maintenance of records. Compliance will be assessed through the review and verification of documentation. The Agency will endeavour to minimize the burden on processors and importers.

Comments concerning the cost of enforcement to both government and industry were also received. The Agency acknowledges that additional costs could be incurred by both industry and government; however, steps will be taken to minimize the impact.

### **Miscellaneous amendments**

It was noted that there was a discrepancy between the French and English versions of the proposed Regulations for the ingredients allowed in compositional standards for Cheddar Cheese and for varietal cheese in the FDR, one referring to "produits du lait" ("milk products") and the other referring to "produits laitiers" ("dairy products"). Discrepancies relating to the same wordings were also noted in other compositional standards in the FDR. Amendments were made to correct inadvertent differences between the English and French wording.

### ***Benefits and costs***

Contained in this section is a narrative description of a business impact assessment conducted by the Agency in cooperation with AAFC, and utilizing input from stakeholders. The benefit-cost analysis has been re-examined to take into account the subsequent changes to the amendments as a result of comments received.

### **Background**

The purpose of this analysis is to examine the economic impacts on stakeholders by analyzing the effects of changing current cheese composition to meet the compositional standards being amended. The analysis includes a quantitative economic model as well as a qualitative economic assessment of the broader impact to stakeholders.

The economic model provides a quantitative analysis of the financial impact of an increase in the cost of ingredients used in cheese making. Additional impacts, such as labelling costs and excess whey disposal, have not been included in this model, but have been considered in the qualitative assessment. Amendments related to lower fat cheese and ultrafiltered milks have also been considered in the qualitative analysis. It also addresses the impact on consumers, further processors, food service, retailers, importers and government.

In conducting the quantitative analysis, difficulties were encountered in establishing the actual milk-versus-milk product ratios used by industry for cheese making. Actual ratios were unavailable due to confidentiality concerns. Therefore, assumptions had to be made regarding the current ratios in use by industry. These assumptions

were based upon the knowledge of dairy industry experts within the Agency and AAFC. With respect to the current ratios in use by industry, assumptions were based on input and consultations with representatives of key cheese processors in the context of the DIWG. The current milk-to-milk product ratios are assumed to be 60% for Mozzarella, 70% for Cheddar and Cheddar-types, and 80% for other varietal cheeses. These ratios are assumed to represent the maximum amount of milk-to-milk products in current use. The assumption is also made that the volume of individual varietal cheese production would remain constant after the amendments come into force.

The analysis conducted for pre-publication considered 12 varieties of cheese, including Feta. As a result of amendments, the analysis now considers 11 varieties of cheese which represents more than 90% of the total production of varietal cheese affected by these Regulations. The summary table shown below was calculated by taking the weighted average of the 11 varieties of cheeses and is considered to be representative of the cheese-making sector.

Summary table

Impact Measure	Benefit per year	Cost per year
Producer Revenue	\$185,673,610.00	
Costs of Ingredients For Cheese Production		\$71,463,471.00

Anticipated increased cheese ingredient costs of \$71,463,471.00 represent 1.6% of estimated total processor sales of cheese (\$4.6 billion in sales in 2006), equating to a weighted average increase of \$0.24 per kilogram in the cost of the raw materials used in the production of cheese. Due to data limitations, the economic model does not take into consideration the potential positive impact of lower fat cheeses and their varying proportions of the marketplace.

### **Milk producers**

Canada has operated under a supply-management system for milk production since the early 1970s. Milk is a product composed of butterfat and "solids non-fat" (proteins and other solids). The industrial milk production quota in Canada has always been based on butterfat requirements. Historically, the level of solids non-fat in Canada has exceeded domestic requirements. Some of the surplus solids non-fat is processed into skim milk powder and is sold in the domestic market for animal feed, yielding a low return.

The amended cheese compositional standards will stabilize the proportion of protein in cheese sourced directly from raw milk. Milk production need not increase as a result of this amendment because the protein required to meet the standards is already available. The amended compositional standards are expected to provide an ongoing market for protein in cheese sourced directly from raw milk. This brings higher returns to producers than alternative markets for milk



protein (e.g. animal feed).

### **Cheese processors**

The CFIA's quantitative economic model estimates that, overall, the amendment will impact cheese processors by increasing ingredient costs (\$71,463,471.00 per year) as a result of potential replacement of milk products with milk.

Cheese processors currently producing cheese in compliance with the FDR will not be negatively affected by the amendments, as they will be able to utilize additional milk products, possibly reducing production costs. Alternatively, some processors may have some products with compositions that will experience a higher degree of impact as a result of the amendments. Other additional costs to cheese processors as a result of the amendments include one-time costs to modify labels as well as costs related to infrastructure adjustments, reformulation, innovation, and competitiveness. Some processors may experience a reduction in cheese yields as a result of these amendments. Reduced yields would lead to increased costs some of which may be mitigated by the use of ultrafiltered milk.

The additional flexibility provided for lower fat cheeses and Feta Cheese, as well as the clarification on the use of ultrafiltered milk, will help to allay the increased costs for some processors. The one-year transition clause included in the amendments will also serve to mitigate some of the costs, such as those related to labelling and reformulation.

The amendments will result in cheese processors having more available whey. This is because whey is a by-product of making cheese from raw milk. Whey contains lactose, whey proteins and minerals, and can be processed into whey products, such as whey powder, whey protein concentrate and lactose. These products can be marketed for human food and animal feed use, thus avoiding the environmental issues involved in disposing of whey. Both North American and world markets for whey products are currently very strong, with market prices for whey powder achieving record levels in the first quarter of 2007. Processors may experience additional costs when changing their current whey-management practices and while developing further markets for whey products. It is expected that cheese processors will be able to take advantage of the opportunity to sell or process the extra whey available and increase their whey product marketing profitably.

At the Agency's request, the Dairy Processors Association of Canada (DPAC) provided the Agency with a separate economic impact analysis. They estimated an annual net loss of \$165 million in direct sales by cheese manufacturers to retail, food service and industrial customers.

### **Manufacturers of dairy ingredients**

Dairy ingredients have many industrial uses including those for the food industry. Data limitations have not allowed for a quantitative assessment of the impact on this stakeholder group; however, the

Agency anticipates minimal, if any, impact on this sector as a result of this amendment.

### **Importers**

Given that Canada has an annual cheese tariff rate quota of 20 412 metric tonnes, and that imported speciality cheeses are in high demand, the amendments will have minimal impacts on the volume and value of imported cheeses. The tariff rate quota for cheese will not change. Imported cheese must meet the same compositional standards as domestic cheese and some currently imported cheese may not meet the standards.

It is expected that the composition of most imported cheeses will be consistent with these amendments. For example, many cheeses from the USA, as well as those with protected origin of designation (PDO), would likely comply with these amendments because they are required in the country of manufacture to be made completely or primarily from milk. For other cheeses, importers may need to source varietal cheese from different suppliers, require reformulation or import other varieties. Although specific varietal cheese imports could be affected, total quantities of imported cheeses are not expected to change nor is there expected to be any significant financial impact on the sector. The Regulations have been amended to clarify the use of ultrafiltered milk which will contribute to minimizing the impact on imports.

There may be additional costs for some importers related to the implementation of the licensing requirements.

### **Further processors**

These are processors that use cheese as an ingredient in the manufacture of other food products, such as pizza, soups, pasta products, etc. Every year approximately 8-10% of cheese is sold for further manufacture. It is not expected that the costs paid for cheese by further processors will be significantly impacted by the revised standards because processors of cheese for further processing already benefit from lower milk prices.

The CFIA's quantitative economic model includes costs of all cheese production, including cheese for further processing, without including any discounted prices for milk to produce cheese for further processing.

### **Retailers and food service**

It is anticipated that increased ingredient costs incurred by cheese processors will be passed along the food value chain, which includes retailers and food service. As prices in the retail market are not regulated, the incremental price increase from processors to retailers may be 100%. The increase could be lower for some products, depending on retailer or food service strategies with respect to product positioning and profit margins.

Stakeholders in this food service sector may experience increased

pressure to utilize substitute products in place of cheese in order to meet the evolving needs of Canadian consumers.

### **Consumers**

Harmonized cheese standards that clarify the permitted ingredients for varietal cheeses will provide consumers with greater product uniformity within a variety. All cheeses bearing a particular varietal name, including lower fat versions, will possess similar essential characteristics, irrespective of where they are purchased or by whom they are manufactured or distributed. This will support consumer expectations, while maintaining choice and the availability of lower fat cheeses.

It is anticipated that increased ingredient costs incurred by cheese processors will be passed along the food value chain. As a result, consumers may experience an increase in the cost of cheese and food products containing cheese at the retail level. This increase will vary dependent upon the type of product or variety of cheese and may result in reduced cheese consumption.

### **Government**

The Agency will experience increased costs as a result of the amendments including increased inspection responsibilities in registered establishments, additional responsibilities as a result of importer licensing, training, additional label and ingredient verification activities, and possible increased enforcement action. The increased costs are estimated to be \$3.2 million in year one and \$2.2 million per year in ongoing costs.

### ***Conclusions***

In summary, the changes to the cheese compositional standards are expected to have a positive impact on milk producers in terms of a revenue increase of approximately \$185,673,610 per year.

The changes will also have a positive impact on consumers by satisfying the expectation that cheese be made primarily from milk and by maintaining the availability of lower fat cheese options to meet dietary needs.

It is expected that cheese processors will experience increased ingredient costs estimated at \$71,463,471 per year. Some additional costs, such as those for labelling and reformulation, may also be incurred, although these may be recovered by passing them along the food value chain to retailers, food service industry, further processors, and ultimately, the consumer. Higher cheese prices may result in a reduced demand for varietal cheeses and food products containing these cheeses.

### ***Compliance and enforcement***

The harmonization of the two regulations will facilitate compliance. The Agency will verify compliance and enforce these regulations in accordance with its statutory authorities including those found in the

*Canada Agricultural Products Act and Food and Drugs Act.*  
Compliance and enforcement activities will be based upon risk and priority and will include verification for compliance with regulatory requirements and response to complaints.

### ***Contacts***

Gail Daniels  
Chief  
Dairy Program  
Canadian Food Inspection Agency  
Telephone: 613-221-7000  
Fax: 613-221-7296  
Email: fromagecheesemodifications@inspection.gc.ca

### Regulatory

Shane Carry  
Regulatory Advisor  
Canadian Food Inspection Agency  
Telephone: 613-221-4330  
Fax: 613-221-4560  
Email: fromagecheesemodifications@inspection.gc.ca

### [Footnote a](#)

S.C. 1999, c. 33, s. 347

### [Footnote b](#)

R.S., c. F-27

### [Footnote c](#)

S.C. 2001, c. 4, s. 64

### [Footnote d](#)

R.S., c. 20 (4th Supp.)

### [Footnote 1](#)

C.R.C., c. 870

### [Footnote 2](#)

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