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Now IS the time to deal with milk and eggs

In Jeffrey Simpson's piece yesterday he reiterated the same arguments against supply management that he has made for close to two decades. Good for him, and I've agreed with him all along. But there is much more change afoot than he suggested—I believe that Canada is finally ready to move on this issue. With greater globalization, more Canadians realize how important trade is to Canadian prosperity, and the benefits of greater access to major emerging markets. And more Canadians are realizing that this antiquated regime, which in any other circumstances would be called a cartel, and which benefits only a tiny minority of Canada's farmers, needs to go. It is far more than the frustration that Canadian consumers pay 2-3 times more for their dairy products than they need to be. Insisting on maintaining supply management hurts all Canadians by keeping one hand tied behind our back every time Canada tries to negotiate a trade deal. Yes, we've now signed some, but they have mostly been with smaller markets that need us more than we need them—and in any larger negotiations, we have to give other things away that we wouldn't have to, simply to accommodate our insistence on supply management. Even in our discussions with Europe, which has its own large agricultural subsidies, we're likely going to do some kind of trade of beef for dairy. We could clearly negotiate a better deal, even with the Europeans, if we didn't have supply management.

But Canada's potential involvement with the Trans-Pacific Partnership may be our chance. Jeff Simpson says, "our friends in New Zealand and Australia didn't favour Canada joining the

TPP because they knew Canada would obstruct progress on free trade in agriculture.” There are two things we need to be very clear about: Canada may have been invited to the table for discussions, but that is very different from actually joining the TPP. It is a good start, but Australia and New Zealand will not likely allow Canada into the deal without a commitment to dismantle supply management—this is because they know of what they speak. Both countries recently eliminated all support for their respective dairy industries, with great success for all concerned—consumers, dairy farmers and processors. Indeed, Australia in particular, which had a very similar supply management regime, provides an excellent model for Canada to follow. The second critical point is that, in fact, Canada most certainly does NOT want to obstruct trade in agriculture. The dairy lobby certainly DOES want to obstruct trade in their own products, as well as the other supply managed sector, poultry and eggs. But they comprise fewer than 15,000 farmers, barely 1/15th of all Canadian farmers. In contrast, well over 210,000 farmers (92% of the total) are directly dependent on export markets; they either export their products or sell them domestically at prices set by international marketplaces. Most of these farmers would benefit immensely from access to the huge and rapidly-growing emerging economies in Asia, where demand for a broader range of exactly the kind of foodstuffs Canada produces is huge, and growing rapidly—beef, pork, grains, pulses, oilseeds, and value-added products such as canola oil. Notably, 88 percent of Ontario farmers and 75 percent of all farmers in Quebec fall into this category – ironically, but clearly no longer justifiably, where the dairy lobby has been the most powerful.

Most importantly, it is not enough to simply talk about the problem; we need concrete solutions in order to move forward. The good news is that, thanks in large part to the example provided by Australia in successfully dismantling their own supply management regime for

dairy, doing so in Canada is not something that should be feared by the dairy sector. It is possible to dismantle supply management in a way that not only works well for dairy farmers, but which can leave them even stronger—the proverbial ‘win-win’. Even better, it can be done without extra cash from the government—financed, ironically, by a temporary levy on milk that would still mean retail prices that are *lower* than what consumers are paying now, but, for the transition period, slightly more than they will pay under full free markets. Australia did this starting in 2000, with an eight-year transition period which provided both compensation and transition assistance to its dairy farmers. Not only did consumers benefit, it had a dynamic effect on productivity and re-oriented the Australian dairy industry to a globally competitive, exporting industry.

We can do this too. Given the huge opportunities presented by the TPP, not just for the large the majority of Canada’s farmers, but for all other Canadian enterprises that could benefit from access to these markets, now is the time to move forward.

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