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Sacred Cows – and the need for political courage

Do you know that you and your family are paying hundreds of dollars a year more than you need to for some of life's basics? Yes -- milk, cheese, all other dairy products as well as chicken and eggs, are all produced in Canada under a heavily protected supply management regime. It means consumers pay far too much; it means that processors set up plants outside Canada (taking all those jobs with them) in order to compete internationally, and it jeopardizes Canada's international trade opportunities – which hurts Canadian exporters, manufacturers and many others.

Canada's dairy, poultry and egg farms are governed by a decades-old system that prices a farmer's output based on intended usage, locks out most foreign products with exorbitantly high tariffs and determines how much farmers can produce. Everyone suffers. First in the line of people who are harmed by supply management are consumers— Canadians are forced to pay 1 ½ to 2 times as much for whole milk as Americans. It is simply untenable that Canadian families pay upwards of \$300 *more* a year than they need to for key staples of our diet, to subsidize a tiny number of relatively well-off farmers – and those who work in the dairy protection lobby. Worse, it's regressive, which means that the ones who suffer the most are the low-income families with young children—the very ones who most need affordable access to nutrition. Contrast this to the fact that the average dairy farm has an income far higher than that of the average Canadian family, and has over \$2 million of assets. Canadians, particularly low income families, pay hundreds of dollars more than they need to for basic nutrition, whereas the *average* dairy farmer is a millionaire. Many others, including processors, restaurants and non-supply-managed farmers have been calling to an end to supply management for years.

Canada's insistence on this protection also makes it difficult for Canada to open up access to international markets. This means that all other Canadian enterprises that rely on trade, all those who would benefit from Canadian participation in trade arrangements such as the Trans-Pacific Partnership, are too often denied lucrative access to some of the world's largest and rapidly growing markets. This includes, ironically, most of the farmers in the *non*-supply-managed sectors, such as beef, pork, grains and oil-seeds who make up by far the majority of Canadian farmers. In contrast to the fewer than 15,000 supply-managed farmers, there are well over ten times that many—over 210,000 farmers (92 percent of the total number of Canadian farmers) are directly dependent on export markets; they either export their products or sell them domestically at prices set by international marketplaces. These farmers would benefit from increased access to the world's rapidly growing emerging economies, particularly those in Asia. Even the dairy farmers themselves are prevented from taking advantage of the opportunities and efficiencies a truly free market affords. Canada is a trading nation – this hurts our whole economy.

The system needs to go.

This is not new. Most economists, think tanks, commentators, consumer advocates (and trade negotiators) have, for quite some time, recommended the dismantling of Canada's supply management regime — for both domestic economic reasons and for reasons of international trade. Canadian politicians, however, seem stuck. Frustratingly, many of them agree in private that it no longer makes sense, that it should be dismantled — but they say that “politically, it's not possible,” “there are too many votes at stake”. ***But this is, quite simply, no longer true.*** Despite every effort on the part of the dairy lobby to promote this fear, these political concerns are no longer valid. Since 1971 (when supply management in dairy started), the number of Canadian dairy farms has dropped by a staggering 91 percent, from 144,000 to a mere 12,746 in 2011.

More importantly, however, dismantling supply management 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. 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, a bit more than they will pay under full free markets. This approach was used successfully by Australia in dismantling their own dairy supply management 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.

There is now increased pressure for international trade opportunities such as the TPP, on which Canada's future prosperity depends. But we must also eliminate the domestic economic distortions that hurt Canadian consumers, particularly the lowest income earners, the most. The time is now for the federal and provincial governments to act.

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