

Piece for the Huffington Post, February 6, 2013

"Is Canada's supply management system harming consumers and retailers?"

Yes, it harms consumers – the average Canadian family is forced to pay hundreds of dollars more each year for the basics of dairy, poultry and eggs. Worse, the people who suffer proportionately the most are those who can least afford it – low-income families with small children and Aboriginal families living in remote communities.

It harms smaller retailers as well as hundreds of thousands of Canadian restaurants. (A classic headline from a few months ago: http://www.huffingtonpost.com/2012/09/28/cheese-smuggling-ring-canada_n_1923913.html .)

Here is a link to my major research paper published by the School of Public Policy, U of Calgary, last spring
<http://policyschool.ucalgary.ca/?q=content/supply-management-problems-politics-and-possibilities>

SM is a system of protection for dairy, poultry and egg farmers. It started in the 1970s to help the then 145,000 Canadian dairy farmers deal with price volatility. It was well intentioned at the time, but we now have barely more than 10,000 dairy farmers across the whole country, a drop of well over 90%. The average dairy farmer now earns significantly more than the average Canadian family, and owns over \$2 million in assets. The underlying reasons for the system are long gone; instead, consumers, farmers, exporters all suffer. It is a government-sanctioned cartel that benefits a very few, to the detriment of many, that would never be allowed if proposed today.

The following counters some of the oft-heard arguments from the dairy lobby:

"It is 'anti-farmer'": On the contrary - There are fewer than 15,000 supply-managed farmers; there are, however, over 200,000 other farmers in Canada, most of whom produce beef, pork, grains, oilseeds, pulses. Over 90% of Canadian farmers do not benefit from SM. On the contrary, they would benefit from greater access to the fast-growing markets, particularly in Asia, for their products – access they are being denied because of SM for the few.

"We need SM to ensure food safety, for example to keep hormones out of our milk": I support greater food safety and am proud that Canada produces hormone-free milk. But the standards for Canadian-consumed food have nothing to do with the economic structure of supply management. We can control whether we allow growth-hormone enhanced milk by way of regulations, border restrictions, food labeling and inspection. The fact that we produce high quality, safe milk in Canada is exactly the comparative advantage that could BENEFIT our dairy once we open trade. This is something the many dairy farmers

who support dismantling this system reinforce – they know they can compete and win because they are good at what they do.

“Supply management “supports” the family farm”: This is completely false. The rate of consolidation in the supply-managed sector has, in fact, been higher over the last few decades than in virtually in all other Canadian agricultural sectors.

“US prices are too low because the US subsidizes their milk”: There are US subsidies, but not nearly as high as the difference paid for by our consumers. None justify our exorbitant 250-300% tariffs. We can level the field using restrictions based on those US subsidies, and we are in negotiations with Europe. But many other sources are now open market, such Australia and New Zealand, both of which completely freed their respective dairy markets over ten years ago.

“Supply management doesn’t hurt our trade – see the agreements we’ve been able to sign”: This also a fallacy. Canada has been able to sign certain trade agreements, but in every case we had to give up concessions in other areas because of SM. This hurts ALL Canadians – manufacturers, resource companies, service providers and – ironically – the majority of Canadian farmers who need access to other markets. Even though Europe has agricultural subsidies, we have less leverage than we would. However, the proposed Trans-Pacific Partnership Agreement is critical - not only do the TPP countries offer huge potential markets for Canada, it is also seen as an opening door to the major Asian Pacific markets such as China, India and Japan. Canada has been “invited to the table”, but it is clear that Canada will not be accepted as a signatory unless we dismantle SM.

“Without SM the dairy industry will disappear”: Nonsense. The same argument was used by those in the wine industry who feared a free market – yet we went from a small industry producing less-than-stellar wine to a thriving, much larger industry. I have proposed a comprehensive compensation and transition plan. Not all will stay in the business (but as noted above, major consolidation is happening all the time anyway), but they will be properly compensated. Those who stay should be able to thrive, as will their suppliers, second level beneficiaries and their communities – just as with the wine industry.

We can – and should – dismantle SM. It can be a win-win for all.