

Comment: Supply management does not gouge consumers

Wendy Holm / Times Colonist
September 17, 2014 07:38 AM

Like mushrooms in the fall, right-wing pundits pop up predictably as Canada inches toward every new trade deal. Cheerleaders for a borderless world, their motivation is to convince us we will be better off if government just gets out of the way and lets the market decide.

Senator Colin Kenny's recent attack on Canada's supply management system ("Dairy, poultry subsidies gouge Canadians," Sept. 5) was precisely that: its purpose to undermine public support for Canada's supply-management programs as discussions conclude on the Trans Pacific Partnership Agreement.

Why? Because to Canada's business community, supply management threatens to be a sticking point: TPP negotiating countries with large dairy-export sectors — notably the U.S., Australia and New Zealand — are demanding access to Canada's market.

If I were prime minister, I would simply laugh and offer them lessons in good public policy. "Canada puts enough goodies on the TPP table," I'd say. "Handing over our sovereign right to construct public policy that ensures sustainable food and resilient communities is a non-starter." But the Conservatives are no friend of market intervention. For them, TPP squabbling over supply management places the smoking gun conveniently in the hands of others.

Kenny is saying Ottawa should forget pre-election tax cuts for middle and lower income families and instead, cut Canada's supply-management programs for milk, eggs and poultry, which, he says, cost Canadian families \$275 a year.

First of all, blaming supply management for price differences at retail is ridiculous. Supply management establishes farm-gate price. There are a lot of players in the marketing chain — processors, distributors, retailers — who all add margins.

More importantly, Kenny's allegations of "price gouging" are simply not supportable. Let's take milk as an example. Kenny alleges Canadian consumers pay \$1.42 a litre more for their milk than Americans. Informed analysis suggests otherwise. From 2006 to 2011, Vancouver consumers paid an average of nine cents more per litre than their U.S. counterparts.

The real difference, however, is in where farm returns come from. In Canada, supply-managed farmers do not depend on taxpayer subsidies — 100 per cent of the farm-gate return to milk comes from the market. In the U.S., market prices cover roughly half farm production costs; taxpayers provided another 24 to 37 cents Cdn per litre in direct and indirect subsidies to dairy farmers, covering an estimated 53 per cent of U.S. farm production costs (2009). When you consider this, partly skimmed milk in the U.S. actually averaged 18 cents per litre more than in Vancouver over the period 2006-2011.

The third thing Kenny doesn't seem to understand is that cows, chickens and turkeys are not widgets. To efficiently manage price and supply, farmers need to be buffered from wildly fluctuating international commodity

markets. And in the face of highly concentrated suppliers and processors, farmers also need market-pricing power to ensure returns cover sustainable farming costs.

(If Saputo's last shareholder dividend is any indication, Canada's concentrated dairy-processing sector is doing just fine. But considering margins to the south, is there any wonder why agribusiness supports private think-tank research against supply management? When Australian farm-gate milk prices were deregulated, prices to farmers fell, but retail prices rose as concentrated players grabbed larger slices of the pie.)

Family farms are as important in the food chain as bees — through careful stewardship and with a legacy in the land, they produce not only food for today, but also the next crop of farmers who will grow our food tomorrow.

Kenny advises members of Parliament not to be afraid to vote against Canada's "corrupted" supply-management system because "12,000 farms couldn't possibly swing vote counts. MPs could win more votes by appealing to consumers."

When the facts are on the table, Canadians who eat for a living will stand together with farmers who grow for a living, and punish any politician who dares to undermine the food security of our communities. At least, if this agrologist has anything to say about it.

Wendy Holm of Bowen Island is an agrologist, farm columnist and former president of the B.C. Institute of Agrologists.

© Copyright Times Colonist