

Under Siege: Supply Management as Threatened Paradigm

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Purpose

In this presentation, I will suggest reasons as to why I think supply management is such a good system for the sectors in which it operates, as well as point out some of the more obvious threats that could compromise its future.


What has supply management done?

Supply management has allowed farmers in the managed sectors to earn a living wage.

It is a highly regulated system that is the last of its kind in the world today.

Its principles fly in the face of commonly accepted “market” wisdom.

As I will suggest in later slides, supply management levels the playing field among all stakeholders – producers, processors, supermarkets and consumers – arguably, its most important contribution



**A LIVING
WAGE IS
A MORAL
VALUE**

The genius of Canadian agriculture

But its very existence is in defiance of the laws of economics, at least those formulated currently by neoliberals.

In a number of ways, it is a miracle that supply management persists given the enemies ranged against it.

And **neoliberalism** is #1 in that category, providing the philosophical and ideological justification/underpinning for contemporary economics.



What is neoliberalism?

As mentioned, it has become the dominant global ideology, (although it is also now under attack), initially spread by the US and the UK, beginning in the late 1970s, and under the leadership of Ronald Reagan and Margaret Thatcher.

The IMF the World Bank and the OECD further amplified its effects

What does it entail?

Neoliberalism is based on the idea that the corporation is the model through which to best ensure the most effective and efficient method of economic growth. Therefore, the following apply:

- **Free trade**
- **The rule of the market**
- **Deregulation**
- **Privatization**
- **Eliminating the concept of a public good as a role for government, in favour of the theory of trickle down economics**

And supply management is not on the agenda

Neoliberals intensely dislike regulated regimes like supply management.

They demand governments negotiate free trade arrangements on their behalf, removing impediments to the flow of goods and services that they provide.

Regulated sectors makes this imperative more difficult.



The corporate sector primarily benefits

With neoliberalism, most did not anticipate the extent of concentration that would develop in the market among, for example, food retailers, or the subsequent importance of private standards (like GlobalGAP) as regulatory mechanisms for agricultural governance. And concentration in this sector is an issue for producers.

Australia – Woolworth’s and Coles 80%

UK – Tesco, Asda, Sainsbury’s and Morrisons – 75%

US – Walmart and Kroger – about 45%

Canada – Weston Group, Empire Company, Metro and Safeway – about 60%

France – Auchan, Carrefour – 75%

And the list goes on. These numbers mean supermarkets have enormous power in dealing one-on-one with producers. Just ask the Brits or the Australians.

See *Supermarket Concentration and Effects on Suppliers of Abusive Buyer Power Practices by Supermarkets in EU Member States*. [Agribusiness Accountability Initiative](#)

Supply management is a mechanism designed to foster equality among stakeholders

To my mind, supply management is a moral imperative, focusing on the domestic.

- Doesn't take a cent of government money
- Supports all farmers in that sector, and helps to preserve the family (read smaller) farm.
- Provides an intermediary between the farmer and the processor/supermarket to help level the playing field.



Mentioned the notion of “family farm.” Smaller. To some extent that provides producers with the social license to operate. More about social license later

Average size of dairy farm in Canada – 77 cows.

Average size of dairy farm in the US – 187 cows. (In New Mexico – 2,357 cows.) And farms of 30,000 cows are not unusual, especially in central CA. Newest farm in MN – 7,000 milking cows. The expression most often heard is “Go big or go home.”

Average size of egg farm in Canada – 20,000 hens.

Average size of egg farm in US – 600,000 hens. In Florida, 1.6 million birds.



As well, it benefits the consumer

Supply management as a system meets so many of the requirements of good management and good governance:

- it is inclusive of all stakeholders
- it represents producer interests as well as those of the consumer, the processor and the supermarket
- it is transparent
- **it is not a subsidy**
- it has become a part of the narrative unfolding around Canadian food security and sovereignty.



Beneficial

Another issue – uniformed media critics who spout neoliberal platitudes

They have carried on unrestrained warfare against SM over the past number of years.

- Blocks the development of exports
- Is an “unfair” tax on consumers
- Hinders agile and flexible responses to opportunities that show themselves
- Helps to bankrupt farmers with the necessity for quota.
- Hinders new entrants.



Criticism is misplaced

This criticism is based on nothing more than neoliberal ideology – a faith in a deregulated world that will reward the entrepreneurial and the innovative. Supply management, they say, is yesterday’s solution; today we need a new model, one based on untrammelled international trade and completely free markets. As well, they would favour farmers who are remunerated for the smart choices they make in the marketplace and not merely for the quota they own. None of this is supported by actual data. And to say the least, **Canadian farmers** *are* **entrepreneurial** and **innovative**.



Do as I say, not as I do

Unequal and unfair trade relationships among some of Canada's putative partners.

US and EU.

They maintain subsidies with impunity, and can offer export credits to their farmers that are barred to others.



As well, *every* country in the industrialized world supports its agriculture in some way

Even in countries/a region that espouse an undying commitment to neoliberalism, like the EU and the United States, agriculture is vigorously and robustly supported.

Anything we can do to support U.S. agriculture is a great thing. Nothing against foreign countries, but we need to invest in our own country and not other countries.

Glenn Goodrich

QUOTE FROM

Support comes in many forms

NZ – Fonterra, cooperative, single desk supplier where farmers who supply it must also own shares

US – Insurance programs via various farm bills, as well as govt subsidies

China – maintains strict controls over imports

EU – various direct subsidies and government protections/programs like the Single Farm Payment and export credits.

Canada – supply management in 5 sectors

Without these, agriculture as we know it might not, (and probably would not), exist.



And in the US ...

The Congressional Budget Office has estimated that over the next 10 years, the implementation of the 2014 farm bill will cost almost US\$1 *trillion*!

This is because the US, quite rightly, supports its agriculture to ensure a steady supply of food.

The *Harvard International Review* calls this “the routineness of protectionism.”

But then, how can it criticize Canada’s supply managed system?



The US feels it can criticize because of the notion of American exceptionalism. One only has to ask the question – Where does the biggest gorilla in the room sit? Anywhere it wants!

And if past practice is any indication of future activity, Congress will step in to more actively support farmers and industry when the need arises
And as we know, in agriculture, there is always a need.



And the Europeans are no different. The EU can *legally* provide US\$9.6 billion annually in *export subsidies* to farmers.

It also pumps out **billions** more dollars in the form of **domestic subsidies**

These are legal under the GATT/WTO Uruguay round, and the resulting Agreement on Agriculture (1995) that resulted.

And this despite the fact that the EU is very keen on negotiating free trade agreements that target certain ag sectors. Generally, these don't take away from its power of subsidization.

In late 2013, the EU tightened up on the use of export refunds, as they call them, but did not eliminate their use.



As noted in the previous slide, “free” trade causes problems among agricultural suppliers

CETA – not yet ratified, and might not be by the EU. That would be an irony.

TPP – deal finalized on 5 October, text released on 5 November. Pundits generally claim the 12 will need a 2-year period of ratification. This time could cause problems for TPPers. US Congress already making noises about changes.

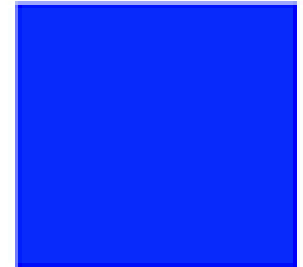
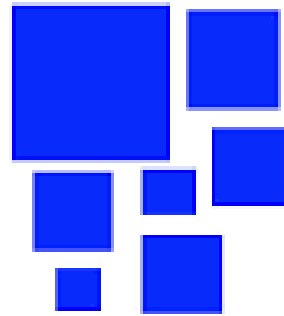


Asymmetrical power relationships are also an issue

“Asymmetrical power relationships have marginalized ... producers ... and rural communities.”

We think we are beyond those debilitating scenarios, but we are not. Even now, very similar relationships exist.

In non-supplied managed sectors, farmers are, generally, price takers.



The genius of supply management is that it levels the playing field among producers, processors, supermarkets and consumers, mitigating the possibility of declining incomes and clinical depression

Supply management invests producers with a collective power that they did not possess as individuals, which is why some processors and critics are put off by it.



All stakeholders have a substantively equal role to play in Canada's supply managed system

"The stakeholders are realizing that a mutually beneficial deal can produce better outcomes for all."

As well, studies demonstrate that supply managed commodities are almost always processed locally, creating jobs in communities where they are raised.

As well, it takes less time for that commodity to get to market. An egg, for example, arrives in 4 days on average.



Supply management is a superior system for certain agricultural commodities and egg and dairy farmers are trusted in Canada

- Effective
- Provides an excellent product
- Is beneficial for consumers *and* for farmers
- Given the size of farms, it has **social license** to operate
- Contributes to a multifunctional countryside, which is increasingly important for urban residents
- Represents sustainability, and food sovereignty and security are also increasingly important



Referring to social license, Canadians support supply management by large majorities

A Nanos poll done in early October 2015 found that 73% said it would be important or somewhat important to them if the deal had a negative impact on dairy farmers and, by extension, on the supply managed sectors.

A poll done for Canada's Asia-Pacific Foundation found a similar result with respect to supply management: 53% of Canadians believed that "Canada should only agree to the Trans Pacific Partnership if existing dairy and poultry quotas and tariffs are kept in place." This is a remarkable finding.

The APF poll mirrors another survey done for *Canadian Business* in 2012 which found that Canadians strongly support "Canada's supply management system for dairy and poultry producers." The numbers are telling – 82% thought that it was extremely important, very important or somewhat important to maintain our present system.

So what do I think of the future of supply management?

I am cautiously optimistic that it will weather this neoliberal onslaught in its current incarnation, even given the very powerful forces arrayed in opposition.

Threats raised here? Sustained media campaign to get rid of SM, neoliberal ideology, attitudes of biggest players, EU and US, so-called free trade agreements (CETA, TPP), asymmetrical power relationships between producers and all other elements.



And finally, there is always the Central Canadian bloc – Ontario and Quebec

Jeff Leal, Ontario's minister of Agriculture and Rural Affairs, was recently quoted as saying "My position is this: supply management yesterday, supply management today, supply management tomorrow, supply management forever. There's never been a better economic model in terms of farming than supply management."



... and Quebec

As Quebec's minister of Agriculture, Fisheries and Food, Pierre Paradis, noted, "Supply management is the fairest system for producers, processors and consumers, and we cannot afford to do without it."





THANK YOU