

Strengthening Supply Management: Defending Canadian control of our market space and advancing food sovereignty

The NFU's discussion paper, *Strengthening Supply Management: Defending Canadian control of our market space and advancing food sovereignty*, was prompted by the NFU Youth following their 2014 retreat where they discussed supply management issues with young people from Quebec's small farmer organization, the Union Paysanne. The youth brought forward a motion which was passed by the NFU Board: *Recognizing the need to reduce the concentration and commodification of quota and enable new/young farmers to access supply-managed markets, the NFU shall prepare a response to the Union Paysanne's report, Supply Management 2.0, to outline where the NFU agrees and/or disagrees with the UP's key recommendations for reform to the supply management system.* (The Union Paysanne's report is available at <https://tinyurl.com/jt85ebn>).

The NFU played a leading role in the creation of the supply management system in the 1960s. It is a unique Canadian institution that provides stability in the dairy, chicken, turkey, eggs and hatching eggs sectors. Supply

management stands upon three pillars: *production discipline* – whereby the supply of the product is controlled in order to not produce more than the market needs; *cost-of-production pricing* – which ensures that farmers receive a fair income; and *import controls* – which limits unfair competition from under-priced foreign products. As a result, Canada does not experience the wide fluctuations in supply and prices – nor the need for massive government subsidies to farmers – that are common in other countries. The loss or impairment of any of these pillars would set off a domino effect destabilizing the whole system.

Today, the NFU, along with most farmers engaged in supply-managed sectors in Canadian agriculture, are concerned about the impact the CETA and the TPP will have if one or both trade agreements are ratified. Global agribusiness corporations would get higher profits by forcing Canada to accept underpriced imports, driving down prices to our farmers. Meanwhile, think tanks such

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as the Frontier Centre for Public Policy, the Conference Board of Canada and the Fraser Institute continue attacking supply management to advance their narrow commercial agenda, contrary to the public interest.

Within Canada there are critiques of how supply management is put into practice. Barriers to entry and lack of opportunities to serve niche markets are some of the concerns. The NFU report offers observations, analysis and alternative recommendations to move the conversation forward.

The first step is to maintain the space in which supply management operates – our domestic market. Our support for supply management goes hand in hand with our solidarity with farmers elsewhere who would be exploited by agribusiness corporations seeking to capture the Canadian market.

The NFU's *Strengthening Supply Management* describes how supply management works and outlines its history and a comparison with non-supply managed sectors. It notes the growing movement of small-scale farmers seeking to avoid the market power imbalance found in commodity production by developing niche markets and focusing on direct sales to local consumers. By eliminating the middleman, differentiating their products and building a loyal customer base they obtain a degree of economic stability. Some would like to enter, or expand milk, poultry or egg production to add diversity to their mixed farms and better serve their customers, but cannot due to minimum quota regulations and/or low quota exemption thresholds in their province. The NFU believes that the supply management system is capable of responding to these farmers' aspirations in a constructive manner and thus enhancing Canada's food system without harming the foundation of supply management.

Some people promote increasing and standardizing quota-exempt production thresholds across Canada to increase small-scale farmers' access to dairy, poultry and egg markets. The NFU believes it is appropriate for provincial marketing boards to retain the autonomy to set quota exemptions according to their own unique history, geography, markets and farming practices. We recommend changing the way supply management's production discipline pillar is implemented as a better solution. If unregulated off-quota production thresholds are set too high, it will open the door to abuse by unscrupulous sellers, increasing the risk of damaging price volatility, market gluts or shortages, and depressed prices for everyone. We do not want to inadvertently create conditions where Canadian farmers destabilize our own market.

Of all the institutions that farmers have tried using to solve the perennial problem of market power—collective bargaining, cooperatives, “new age co-ops”, single-desk selling, and supply management—none of the others have come anywhere near the effectiveness of supply management in improving farm incomes. This is the key lesson our history teaches us.

That same history gives us our task: to defend and preserve our supply management systems against the forces that would undermine and destroy them. We must exercise eternal vigilance to protect what we have, and at the same time draw inspiration from the example of those who built those systems. That way, we can go on creating ways to strengthen farmer power in the marketplace.

- Ellard Powers, 2001

The late Ellard Powers was an NFU member and a former chair of the Canadian Dairy Commission in the 1960s.

The NFU report gives a number of potential new approaches to production discipline, which is accomplished through the provincial marketing boards' allocation of their share of the national production quota. The NFU has always opposed the capitalization of quota. The report proposes ways to make the transition to non-market quota allocation. It has suggestions for improving new entrant programs, and for quota policies designed to maintain farmer numbers. It shows how full cost accounting would slow the trend toward fewer, larger farms. The report calls for expanding opportunities for local direct marketing while integrating processing with new production approaches. Appropriate food safety regulations are also needed to support increased production diversity.

Strengthening Supply Management highlights a number of existing programs to give an idea of the possibilities: Alberta Milk's *New Entrant Assistance Program*; Dairy Farmers of Ontario's *Project Farmgate* on-farm processing program; Manitoba Turkey Producers quota policy that prevents capitalization; the *Specialty Egg Production* program in BC; and the *Growing Enterprise Diversity* suite of programs recently launched by Ontario Chicken Farmers. These profiles show that supply management can respond to farmer and consumer interests through more diverse approaches to food production. The report also mentions the NFU's *Protocol for Legal Sale of Fresh Unpasteurized Milk within the Supply Management System* as another avenue for small scale dairy. However, its implementation would require the cooperation of Health Canada.

Strengthening Supply Management shows that supply management is an institution that puts food sovereignty into action. The provincial marketing boards and their

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national associations have the power to improve its ability to face internal and external challenges. Therefore, *Strengthening Supply Management* concludes by urging them to consider our recommendations, which we believe would increase supply management's public support and make it a more robust and resilient means for advancing food sovereignty.

Recommendations:

1. *Uphold and defend the three pillars of supply management.*
2. *Move forward with policies that advance the decapitalization of quota in the interests of the next generation of farmers.*
3. *Implement policies to allocate new quota and quota released by retiring farmers to new entrants and alternative production systems to promote renewal, resilience and response to consumer desires for diversity.*
4. *Consider creating a role within provincial marketing boards for registered and/or licensed non-quota direct-marketing producers and/or multi-stakeholder public interest advisory bodies.*
5. *Open discussions with federal and provincial health authorities regarding sale of unpasteurized milk for human consumption in response to the market segment seeking raw milk.*
6. *Develop a "triple bottom line" approach to cost of production pricing formulae to ensure environmental and social costs are not externalized.*

The NFU has provided copies of *Strengthening Supply Management* to the provincial marketing boards as well the Union Paysanne (with recognition for their work and thanks for stimulating our own discussion). We hope our recommendations will help build the wider public support and political will needed for decision-makers to secure the three pillars of Canada's supply management and ensure a smooth transition into supply managed sectors for upcoming generations of farmers.

Strengthening Supply Management: Defending Canadian control of our market space and advancing food sovereignty is available on our website at: <http://www.nfu.ca/policy/2016>

If you are unable to download it from our website, please contact the National NFU Office to request a printed copy.

Supply Management and the 6 Pillars of Food Sovereignty:

Food for people

- Its priority is to match production levels to the amounts Canadians consume to avoid both shortages and waste.
- Market stability prevents price volatility, removing these sectors from short-term speculative trading on futures markets.

Builds knowledge and skills

- Boards provide information, training and support to their farmers.
- New entrant programs offer support for young farmers.
- Boards conduct and/or fund research in accordance with member farmers' priorities.

Works with nature

- Cost-of-production pricing and guaranteed access to market allow small and medium-sized operations to remain the norm, thereby avoiding the environmental problems associated mega-farms.
- Dairy farmers opposed the introduction of the genetically modified bovine growth hormone (rBST or rBGH) and prevented it being approved for use in Canadian milk production.
- Certified organic production is an option for producers, however, some lack processing and marketing infrastructure that would provide organic premium returns to farmers.

Values food providers

- Products are sold to processors at a price that covers the cost of production, allowing farmers and any employees they might hire, to make a decent living.
- Compared with other Canadian farm sectors, fewer families in supply-managed sectors need off-farm jobs.

Localizes the food system

- Production is primarily for consumption within Canada, and for many supply-managed foods, within regions of Canada.
- The volume and type of imports is limited, ensuring most Canadians are eating dairy, eggs and poultry produced in Canada.
- Processing is done within each province, providing additional local employment and reducing GHG emissions and transportation costs to serve retail outlets.

Puts control locally

- Boards made up of elected farmers have a large degree of control over each sector's regulatory matters.
- The system was created by elected federal and provincial governments working together with farmers.
- Marketing boards for each commodity are provincially incorporated and thus governed according to the priorities of farmers in each province.