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National Farmers Union Submission to
House of Commons Standing Committee on International Trade on

BILL C-282 – An Act to amend the Department of Foreign Affairs, Trade and Development Act (supply management)

March 9, 2023

The National Farmers Union (NFU) is pleased to provide our perspective and recommendations in regard to *Bill C-282, An Act to amend the Department of Foreign Affairs, Trade and Development Act* to ensure future trade deals do not include changes to Tariff Rate Quotas (TRQ) or tariffs on quantities that exceed the TRQs that would result in further losses of Canadian markets for our supply managed sectors. **The NFU supports this Bill and recommends that is be passed without amendment**.

Supply management is a unique Canadian institution that provides stability in five perishable food sectors -- dairy, broiler chickens, laying hens, turkeys and hatching eggs -- by controlling the amount produced, preventing shortages, and keeping imports from flooding our market. As a result, Canadian consumers have a reliable supply of wholesome milk, chicken, eggs and turkey. Processors have predictability so they can operate near full-capacity year-round, supporting good jobs and avoiding the cost of idled plant space common in other jurisdictions. Farmgate prices provide for the actual cost of production through a transparent and evidence-based calculation. Canada does not experience wide fluctuations in supply and prices, and our system does not require massive government subsidies that other countries must pay to support farmers' incomes in these sectors.

Supply Management's three pillars

The supply management system stands upon three pillars and requires all of them to function together:

- **Production discipline** – ensures farmers produce no more or less than the market needs;
- **Cost-of-production pricing** – ensures that farmers receive a fair income; and
- **Import controls** – provide for predictable and adequate supply.

Bill C-282 is in the national interest because it supports the continuing positive function of supply management in the Canadian economy by preventing erosion or collapse of the third pillar – import controls.

Import control is accomplished by using "Tariff Rate Quotas" (TRQs) that allow a limited volume of imports to Canada at low or zero tariff rates, but above the TRQ threshold, very high tariffs are applied, making further imports uneconomic. Bill C-282 would prevent our TRQs and above-TRQ tariffs being weakened or sacrificed altogether.

Supply management provides resilience and security

Supply management offers farmers a decent, predictable livelihood, allowing them to invest in environmentally-friendly technology, use sustainable management practices, and employ local workers at good living wage rates. Each province has its own processing facilities for supply managed commodities, reducing the amount of transportation (and associated greenhouse gases) required to provide these foods to consumers across the country. Processing facilities are profitable and efficient, with high capacity-utilization year-round due to our systems' counter-cyclical incentives which eliminate the need for excess surge and storage capacity.

When the COVID-19 pandemic hit, our supply managed sectors demonstrated resilience by responding to the crisis better than their counterparts in countries and sectors, resulting in less food waste and an equitable sharing of the burden. Supply Management ensures Canadian needs are met domestically, eliminating supply chain risks from border closures or disruptions due to issues in, or transportation links with other countries.

Excessive profit taking by Canada's retail sector is in the news, and the term "greedflation" is now widely understood. Unlike the profits by the five companies that dominate Canada's grocery market, the cost-of-production prices paid at the farm gate for supply managed products in Canada are based on actual cost increases, subjected to thorough scrutiny, and actually go down the moment their input costs are lower. It is important to remind everyone that supply management does not regulate the prices of retail products.

Avian influenza has wreaked havoc in Europe and North America. Our supply management system has made Canadian poultry less vulnerable to this serious bird disease. Supply management prevents excessive concentration of production, reducing the impact of disease outbreaks. Cost-of-production pricing allows farmers to invest in preventive measures, further protecting our food system.

When a climate-change related "atmospheric river" caused massive flooding in BC's fertile lower mainland in November 2021, supply managed operations suffered massive disruption. Yet, due to the well-organized and coordinated supply management system, there was no disruption to consumers' supply of dairy products, chicken and eggs. Alberta producers and processors were able to step in and provide what was needed. We know that climate change is worsening. Keeping supply management intact will provide the resilience and food security Canadians will need during future disasters.

Need for Bill C-282

Bill C-282 is needed in light of the outcomes of the Comprehensive Economic Trade Agreement with Europe (CETA), the Trans Pacific Partnership (CPTPP), and the Canada-United States-Mexico Agreement (CUMSA). Each removed a significant portion of Canada's supply managed markets but failed to deliver new markets to beef and pork producers.

On top of TRQs available through the WTO agreement, CETA negotiators gave additional access for 17,500 tonnes of European cheese in the Canadian market, shifting 185,000 tonnes of milk production from Canada to Europe. CPTPP negotiators gave away access to over 3.25% of our domestic market in the supply managed dairy, poultry and eggs sectors to the 11 countries then involved. After the USA left CPTPP, Canada concluded virtually the same deal with the remaining 10 countries. Under CUSMA Canada's negotiators gave the USA an additional share that comprises over 3.25% of our market.

Canada is now involved in trade agreement negotiations with the United Kingdom following Brexit, as well as with India, Indonesia, the ASEAN countries (Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam) and the Mercosur countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela). There are also deals being negotiated with numerous smaller countries and trading blocks. The UK and Argentina are dairy exporting nations. Brazil is the world's largest broiler chicken exporter. The UK is one of the ten largest turkey exporters. It is likely that these countries will seek access to our supply managed markets.

If Canadian negotiators continue to offer access to our supply managed markets continues as a bargaining chip, we will lose the essential "import control" pillar and our supply management system will fall.

Damage to date

Supply management has already suffered damage with CETA, CPTPP and CUSMA. In the first five years of the CPTPP agreement, the other countries gained tariff-free access to 3.25 per cent of Canada's current dairy market, 2.3 per cent for eggs, 2.1 per cent for chicken, two per cent for turkey and 1.5 per cent for broiler hatching eggs. In subsequent years tariff-free access to these markets increases. Under CUSMA, US market share increases for each TRQ every year for the 19-year duration of the agreement, except for whey, which will become entirely tariff-free in Year 10 of CUSMA. Furthermore, the "joint review" of CUSMA in Year 6 opens the door to potential changes in its terms in each subsequent year. The current schedule of increases to TRQs for supply managed sectors could change, and market loss could accelerate.

Market concessions are defined through separate TRQs for individual processed products such as butter, powdered skim milk, ice cream, etc. The farmer, however, sells a whole product to processors – broilers, eggs, turkeys or milk. Processors' ability to separate milk, birds and eggs into differently priced components means that as certain imported products gain market share in Canada, the cost-of-production pricing formula is pressured downward, with a negative impact on farm families from coast to coast.

Fallacies

Farmers in different sectors are often portrayed as competitors for concessions or market share. The idea of a zero-sum game is promoted. In fact, these claimed trade-offs are false. This is clearly demonstrated with CETA five years in after major supply management market concessions were made, ostensibly to open up markets for beef and pork.

Yet, here are the facts:

- Canadian production of cheese stopped growing in 2017 while Canadians' consumption and our imports from Europe increased.
- Between 2016 and 2021 Canada's population grew by 3 million, yet our dairy cattle numbers did not increase, costs rose, and nearly 1700 dairy farmers have lost their livelihoods.
- In spite of CETA increasing Canada's tariff-free access from 23,200 to 50,000 tonnes, 2021 Canada's (hormone-free) beef exports to the EU were a mere 1,418 tonnes in 2021 -- while we imported over 16,000 tonnes of EU beef.

- CETA added 80,549 tonnes of pork to Canada's previous duty-free quota of 7,000 tonnes already available under the WTO. Yet, in 2021 Canada exported only 568 tonnes of pork to the EU, down nearly 90% from the 5,000 tonnes exported to the EU in 2011.
- When CETA was being negotiated EU's *exports* of pork were more than double Canada's total *production*. Now, EU now exports two and a half times Canada's total production.
- Prior to CETA EU already supplied Canada with 3% of our cheese (13,400 tonnes) tariff-free through a WTO-based exemption. As of 2022, CETA allows the EU to supply an additional 16,000 tonnes tariff-free. In 2021 Canada produced 592,370 tonnes of cheese of all kinds, while the EU exported 1,385,135 tonnes of cheese, including 26,070 tonnes to Canada, up significantly from 15,269 in 2016.

Giving away market share hurt supply managed farmers and did not help our beef and hog producers.

Most countries protect and support their domestic dairy markets and subsidize their farmers, and do not participate in export markets. Dairy farmers in export-oriented countries, including TPP participants New Zealand and Australia, as well as the USA, UK and several European countries under CETA, and Mercosur's Argentina suffer as a result of their countries' failed export-oriented policies. To compensate for too-low per-unit prices, farmers increase production if they can. This further drives down prices, creating a vicious circle. Losses abound, quality suffers, environmental stewardship and animal welfare practices are reduced as farmers seek to cut costs to pay bills and their communities decline.

Canadians support supply management

Every dollar spent on products that are imported as a result of trade agreement concessions is a dollar that is not available to provide an income to a Canadian farmer or support a job in a Canadian processing plant. It is not contributing to agricultural research in Canada. It is not being multiplied in local communities where farmers and plant workers spend their incomes. It is not generating economic activity in rural communities, or enabling their prosperity. Taking market share away from our supply managed sectors means young people who aspire to become dairy, egg, chicken or turkey farmers are not compensated, but their future is compromised, and Canada is in danger of losing its next generation of farmers in these sectors.

Supply management relies on its three pillars to function, and it is also a powerful element that supports Canada's economic viability, environmental health and social fabric. It is good policy.

Trade agreement negotiations are done behind closed doors, thus, it is critical that ground rules to uphold our supply management system are set now by our elected representatives voting openly in Parliament. **The NFU therefore recommends that Bill C-282 be passed without amendment as a matter of national interest.**

All of this respectfully submitted by
The National Farmers Union
March 9, 2023

The National Farmers Union is a voluntary direct-membership, non-partisan, national farm organization made up of thousands of people who farm from across Canada. Founded in 1969, the NFU advocates for policies that promote the dignity, prosperity and sustainable future of farmers, farm workers, their families and their communities.