

**National Farmers Union submission to
Senate Foreign Affairs and International Trade Committee
regarding
Bill C-282, An Act to amend the Department of Foreign Affairs,
Trade and Development Act (supply management)**

The National Farmers Union (NFU) is pleased to provide comments to support the Committee's study on Bill C-282, An Act to amend the Department of Foreign Affairs, Trade and Development Act (supply management).

Bill C-282 asks Canada to commit to no further increases to the amounts of dairy products, poultry or eggs allowed into Canada tariff-free, and no reduction in the tariffs for imports that exceed the volume allowed under the Tariff Rate Quota. Passing Bill C-282 would allow existing concessions from CUSMA to play out, but would prevent the imposition of further market losses for Canadian dairy, chicken, turkey and egg farmers.

Bill C-282 passed in the House of Commons with over 80% of MPs voting in favour. As it is a Private Members' Bill, MPs were free to vote as they wished, so the strength of support for Canada's supply management system is clear. We hope Senators will similarly vote to uphold this valued system. Passing Bill C-282 will prevent Supply Management from being weakened, or even destroyed by those who would use our domestic markets – and the livelihoods of farmers, their employees, their suppliers, workers in processing plants, and Canada's food security in these important components of our diet -- as a bargaining chip in pursuit of unknown and uncertain outcomes in future trade deals, or perhaps as a means to eliminate supply management altogether.

Canada's supply management system is a unique institution developed by farmers working with governments to solve real-world problems: overproduction, waste, volatility, inefficiency, shortages, quality and exploitation. Canada's solution is elegant, simple, and has stood the test of time. It provides high quality dairy, chicken, turkey and eggs to consumers year-round, with fair and predictable prices for both the farmer and the processor (supply management does not set retail prices – that's up to grocers), ensures farmers have the stability to invest in long-term improvements such as energy efficiency and animal welfare, pay for services and products and hire workers in their local communities, and to pass their operations on to the next generation directly or through new entrant programs that help young farmers get started.

Our supply management system stands upon three pillars: production discipline (to prevent both over-production and shortages), cost-of-production farm-gate pricing (based on actual data to ensure returns are generated through the market, removing the need for government subsidies), and import controls (to ensure supply and demand are balanced and under-priced imports do not flood the market). All three pillars need to be sound. Bill C-282 is designed to ensure that future trade deals do not weaken or remove the import control pillar.

Strong Communities. Sound Policies. Sustainable Farms.

Des communautés solidaires et des politiques sensées pour une agriculture durable.

In 1995 when the World Trade Organization (WTO) was established, Canada's hard limits on imports were converted into Tariff Rate Quotas (TRQs) which allow a certain amount of product to be imported tariff-free, but above that threshold, high tariffs apply, making further imports uneconomic. Additional TRQs have been introduced for dairy through the CPTPP, CETA and CUSMA, and for chicken, turkey and eggs through CUSMA. Our trading partners have taken full advantage of these TRQs, selling the maximum allowed of their products into Canada. The USA has obtained the lion's share of TRQ allocations as a signatory to both CPTPP and CUSMA.

As a result of these concessions, 18% of Canada's dairy products and nearly 11% of Canada's chicken is now imported. The largest share of these imports come from the USA.

When consumers buy the imported dairy, poultry and/or eggs, their grocery dollar leaves Canada and cannot produce any of the positive spin-offs that a dollar spent on Canadian-produced products would. When our population grows and demand increases, instead of allowing more Canadians to make a living from providing for those needs, that added economic activity is leaving our country to benefit others.

Canadian production of cheese stopped growing in 2017 after CETA was implemented, while both Canadians' total consumption of cheese and our imports from Europe increased. Between 2016 and 2021, Canada's population grew by three million, yet our dairy cattle numbers did not increase and nearly 1,700 dairy farmers lost their livelihoods. The human cost of these farmers' stress and losses cannot be quantified.

Opponents of Bill C-282 argue that Canada's trade negotiators must have access to all possible concessions. What they are really saying is that negotiators should be able to put Canadian farmers out of business, take economic engines out of rural communities, jeopardize the quality and security of our food system, and weaken our food processing sector in order to close a deal. Trading partners seeking access to our supply managed markets know that they can hold out until Canada agrees to sacrifice more of our farmers and all the benefits that flow from our system. Passing Bill C-282 would in fact strengthen our negotiators' hand by disarming the other side.

Furthermore, the sectors that are most vocal in calling for dairy, chicken, turkey and egg farmers' livelihoods to be jeopardized, are already operating in a largely tariff-free global trading environment.

Our cattle and pork sectors' low exports to Europe is not due to lack of access. In 2016 CETA increased Canada's tariff-free access from 23,200 to 50,000 tonnes, but Canada's beef exports to the EU were a mere 1,418 tonnes in 2021. CETA also added 80,549 tonnes of pork to Canada's previous duty-free quota of 7,000 tonnes under the WTO, yet Canada exported only 568 tonnes of pork to the EU in 2021, down by nearly 90% from the 5,000 tonnes exported to the EU in 2011. Canada has thousands of tonnes of unused TRQs for pork and beef in Europe – which could be filled by our industries complying with EU regulations related to the use of certain pharmaceuticals.

For canola, China is our biggest trading partner. Its issues with Canada have been political, not trade-related. China is not a dairy or chicken exporter, so there is nothing to be gained from China by offering access to our supply managed markets in return for trade peace.

Some who are calling for an end to Supply Management altogether believe international competition would increase efficiency within Canada's dairy and poultry sectors and reduce prices for consumers.



However, that is not what happens in the real world. Retail prices are set by grocers, and in countries that don't have supply management, prices are similar to Canada's. After dairy sectors in the European Union, United Kingdom, Australian and New Zealand were deregulated, farmers quickly ramped up production hoping to be able to sell more. The result: supply greatly exceeded demand and prices crashed. The lower the price, the more volume is needed to maintain revenues – but overproduction keeps pushing prices down in a vicious circle. Many farmers took out loans to cover their costs, then went bankrupt. This in turn has resulted in shortages at times. In Europe, governments stepped in with massive emergency payments to prevent the worst misery.

The dynamic of overproduction, bankruptcy and consolidation continues to operate in countries like the United States and New Zealand. Ever-larger dairy farms – some with over 10,000 cows – lobby their governments to gain access to markets like Canada's in order to temporarily alleviate their overproduction problem. The logic of these dynamics leads to a monopoly situation where consumers are offered a "take it or leave it" proposition in terms of price, access and quality of their dairy products.

A similar dynamic plays out with chicken and eggs, as we see in American poultry production, where commercial production operates on a massive scale. These gigantic, highly concentrated chicken and egg farms are more susceptible to Avian Influenza due to crowding, and the AI virus is more likely to mutate to become infectious to humans where workers are vulnerable. Agriculture is exempt from occupational health and safety regulations in the USA, and the same dominant companies seeking access to Canada's supply managed markets oppose efforts to improve worker protection and labour standards in their industry. Contracted farmers are also at the mercy of the multinational processing corporations that dictate the terms of production, control access to market and offload all risks and debt. American dairy and chicken farmers alike have had their contracts ended without warning when the processor decides to cut costs or cut back on production. Farmers are left with massive debt and no way to earn an income; some have despaired to the point of suicide.

When considering your vote on Bill C-282, consider not only the lives of farmers, workers and animals in the countries that would supply us instead, but also that a collapse of Canada's supply management system would mean that dairy, poultry and egg production would shift towards the highly exploitative model that dominates the USA, or that our sectors would be displaced altogether by imports primarily from the United States. Allowing more of our supply managed markets to be bargained away, means the food dollars that currently support thousands of farm families, workers and rural communities in Canada – and ensure consumers have reliable access to top quality food – would leave our economy and instead contribute to further domination by a few very powerful companies.

All of this is respectfully submitted by

The National Farmers Union

October, 2024

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

