



TOWARD SUPPLY MANAGEMENT 2.0 IN CANADA

A DISCUSSION PAPER



farms
farmers
new farmers



UNION PAYSANNE
L'Alliance de la Terre et de la Table

november 2014



Union Paysanne is an association aimed at bringing together, in an organized and collective force, all those who are in favour of small-scale farming and agriculture.

It promotes agriculture that is based : on the one hand, on food sovereignty, so as to provide our citizens with healthy and diverse foods, while respecting nature, land, animals, the environment and our communities; and, on the other hand, on providing support to the rural population, in order to maintain a flourishing countryside with many small farms.

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TABLE OF CONTENTS

Preface	2
Introduction	7
A bit of history	9
Section 1	
The race for quotas	11
Section 2	
What does all this means?	14
Section 3	
Slow cartelization	16
Section 4	
Producing non-quota, is it an option?	19
Section 5	
In summary, what do we have against the actual system of supply management?	22
Section 6	
Why should we care about supply management?	25
Section 7	
A third avenue : Supply management 2.0	26
Conclusion	29
Bibliography	30

PREFACE

Supply management is unique.

Canada is just about the only country that still utilizes it. Is it to our detriment as some suggest? No, I don't think so.

Having travelled and discussed with farmers from all over the world, I now know that supply management protects Canadian agriculture from economic liberalism. But for how much longer? The model seems to have imploded. It is no longer a means to share the wealth but has become a way to keep it. The coming generation no longer has access to it and it allows no place for niche markets and new ways of farming.

Today's young farmers and those wishing to farm are no different from those of previous generations who proposed supply management as a model. In their own way, they wish to feed the world and be able to make a decent living from their passion. Who can be against that?

Benoit Girouard

president Union paysanne





A pertinent debate

In order to fulfill its mission, agriculture must necessarily be pluralist. The family farm, which is at its core, must leave some room for smaller farms and, at the same time, compose with farms which produce on a larger scale for the mass market.

Our agriculture is also a market agriculture which must strike a balance between a system based on supply management while allowing for freer trade and access to open markets for the producers who need to export. Union Paysanne invites us to re-examine these two components in the light of the lessons we can draw from the past while focusing on the future, whose outlines are already discernible. The debate is pertinent and, given the primordial role of agriculture and agrifood, concerns every one of us.

Jean Pronovost

former president of the Commission sur l'avenir
de l'agriculture et de l'agroalimentaire du Québec



Public policies which stagnate become obsolete. For this reason, Union Paysanne's proposed initiative to open the discussion in order to introduce greater flexibility to the system of supply management is salutary. Consumer demand for unconventional and niche products from local markets is undeniable. Unfortunately, supply management limits the creation and preservation of small farms capable of responding to these new demands. Our agricultural regions need a breath of fresh air such as that proposed in this document and our decision makers cannot afford to turn a deaf ear to their request.

Jean Nobert

Lawyer and former president of the Fédération des producteurs de lait du Québec



I commend the Union Paysanne for presenting an interesting proposition. Such a reform would enable our commodity networks, and not just those with quotas, to become more productive while taking advantage of emerging markets. But this reform calls for collective reflection and inclusive consultation with all citizens. The issue of supply management concerns everyone not just the producers who make their living from it. It is in everyone's interest to have an informed population since it generally results in better agricultural policies.

Sylvain Charlebois

Professor of Marketing and Agricultural Policy
University of Guelph





The Canadian population is more than ever pluralist and this is a challenge for restaurant owners such as myself as well as for farmers. Supply management must meet this challenge creatively if it is to survive. With this discussion paper, the Union Paysanne seeks to open a third avenue which I hope will lead to a national reflexion on supply management, an issue which concerns all Canadians.

Jean-Pierre Léger

Chief executive officer of the group St-Hubert inc.



As a small-scale poultry producer,

it is our mission at the Ferme Du-Roy enr. to serve the local market. In order to achieve this, we had to invest time and money since we did not fit the traditional model of production.

When you add to this the prohibitive cost of quotas, you have all the ingredients necessary to discourage small-scale producers, even the most tenacious. I was even prosecuted for having raised 400 chickens.

Increasing non-quota production appears to be an interesting alternative. The time has come for our elected representatives to assume their decision-making powers – which are slipping out of their hands in this domain– at this moment, for the greater good of consumers and farmers across Canada.

France Roy

Ferme Du-Roy enr.



Maintaining the status quo is no longer possible.

In the face of attacks from all sides, – the extension of free trade agreements, the constant decline of budgets allocated to agriculture, and the increase of land left fallow – it is time to reflect and to create a vision for the future. Time is running out. Either we wait for the governments, ours and those of other nations, to put an end to supply management or farmers and their associations will have to commit themselves to the renewal of the system in order to conserve fair revenues for all and plurality in the production of agricultural commodities. This being said, one must keep in mind that the forces of inertia are great. Twenty years went by before we obtained equal pay for equal work in the "two milks" conflict.

Since the signature of the latest trade agreements, – where we only gained some time – time has gone by without our using it to shape the future, busy as we were with mundane tasks. The stakes are high, we must look beyond to see the future. Supply management enabled me to gain a decent living and only its renewal will enable future generations of farmers to benefit from it.

Good luck to those who undertake this task.

Jacques Proulx

President of Union des producteurs agricoles from 1981 to 1993

Founder of Solidarité Rurale



INTRODUCTION

Over the last 10 years, criticism of supply management of Canadian agricultural commodities has increased.

The most frequent arguments are directed at the prohibitive cost of quotas, the lack of room for new farmers, and constraints to trade.

To take into consideration all of the grievances leveled at supply management and their possible solutions in a single document would not do justice to the topic. Due to its gigantic proportions, its importance and also because of the differences between provinces, it became incumbent upon us to target certain aspects of supply management in order to better deal with them. We decided to focus on the slow cartelization of supply management because this tendency has spread widely across Canada.

To start production under supply management has never been so difficult, if not impossible, as far as profitability is concerned. The data presented in this document show that quotas are inaccessible and block entry to certain productions. Furthermore, certain mechanisms in place tend to block, rather than open the doors, to new generations of farmers.

In our opinion, it is this slow cartelization that poses the greatest risk to the future of supply management. For all practical purposes, supply management has excluded rather than included new generations of farmers.

It has also limited access to niche markets for consumers.

The guardians of supply management have done more harm than good by departing from the original social vocation of the system.

It became apparent that it was important to act now as discussions regarding supply management have for a long time been monopolized by two groups with opposing viewpoints. On one side are those who would like to put an end to supply management entirely (often the think tanks and the economists associated with a certain right wing economic vision) on the other side are those who would like to preserve the system as it is (those with quotas and producer associations). Neither group is listening to the other with the result that it has become difficult to have a healthy and constructive debate on the question. Incidentally, during the preparation of this document, several of the persons interviewed asked not to be identified because the subject has become too sensitive. Each of the parties prefers to have recourse to studies and promotion campaigns in order to sell their point of view. This standoff prolongs the status quo which is detrimental to producers and to Canadians in general.

The discussion proposed in this paper grew out of the unique structure of the Union Paysanne, founded in 2001, which brings together producers and citizens from all walks of life. In addition to the farmers who operate within the system of supply management, hundreds of individuals who had no place in it were thus able to have a voice. Opposing and complementary propositions were debated which enabled the development of new perspectives. The present discussion paper grew out of this debate. Our first objective was to prepare a short document which would be accessible and comprehensible to a general reader. We will begin by presenting the historical background of the system of supply management in order to review its founding principles and examine how it might be possible to reconnect with them.

A third path is urgently needed : a new way which will enable us both to protect supply management and to leave some room for the upcoming generations, for local and regional agriculture, for organic and for small-scale farmers. It is precisely for these groups that we intend to reappropriate the present and future of supply management of Canadian agricultural commodities.





A BIT OF HISTORY

Is it legal to produce milk and sell it in your community? You live in Ontario and you want to rear 400 free range chickens for your local community, can you?

You are a Manitoban farmer with customers for eggs from free range hens; in most of the Canadian provinces can you buy 200 hens and start an egg business? You are a student in Quebec and you want to raise 65 turkeys to be sold as a fund raiser, can you?

The answer to all of these questions is a resounding NO.

At the end of the 60s, the federal government and its provinces put in place a supply management system for the production of eggs, chickens, turkeys and milk. As its name indicates, the system aims to balance supply (the agricultural commodity) with demand (population needs). It also has two specific objectives :

- 1** Stabilize prices for the consumer in order to avoid important price fluctuations
- 2** Protect farms and farm revenues.

In the literature¹, of the period, the frequent overabundance of agricultural commodities² is invoked to justify the establishment of the system.

These surpluses brought about important price decreases for the producers. In order to minimize the impact on farmers, the Canadian government bought up the surpluses. At times, this represented an important expense for the government. This situation opened the way for those who posited supply management as a solution.

¹ Among others : De l'histoire et de la politique agricole au Québec à l'émergence d'une agriculture soutenable, *proposal for a Master's degree in Environment*, Luc Poirier, 2010.

² At the end of 2012, the Canadian Dairy Commission had 31,000 tons of powdered skimmed milk in storage, the equivalent of over 30 million litres of milk, which is about one litre per person. It also had 12,500 tonnes of butter in storage (Source: Market Bulletin December 2012.)

In order to manage supply and control agricultural production, quotas were distributed to producers. Quotas are akin to guaranties of a market share.

At first these quotas were free, but they quickly took on value because the only way for a producer to grow his business and increase his revenues was to have more quotas.³ Producers then started to trade quotas among themselves. This created a competition for quotas and their value increased appreciably.

In terms of economic philosophy, the sale of quotas can be compared to a free market... at the very heart of a controlled economy. It is important to understand that the system of supply management was instituted as a collective measure specifically to protect agriculture from the vagaries of a free market. Over time, quotas were traded in various ways: by private agreement, by regional marketing boards, by regional auctions, etc. Today, almost all of the commodities and the provinces use centralized marketing boards.

³ *The farmer could ask to increase his quota if the market demand increased but this rarely represented an important volume.*



THE RACE FOR QUOTAS



1 section

Left to itself, without ethical safeguards, a race for quotas occurred in each commodity sector under supply management, a situation which greatly increased their value. The following table presents the figures for various commodity sectors. As far as accessibility to information on quotas is concerned, the dairy sector is by far the most transparent as regards its statistics, both past and present. The same cannot be said for poultry and laying hens. Their annual reports and information pamphlets present figures on per capita consumption and the mean monthly price of cuts but the cost of quotas is often difficult to find especially as regards the past. We did manage to find the following information. The following table shows the continued increased cost of quotas, everywhere in Canada, for all commodity sectors.



THE RACE FOR QUOTAS

PRICE OF MILK QUOTAS IN CANADA

Annual means between 1998 and 2013

*Newfoundland n/d

	British-Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Québec	New-Brunswick	Nova-Scotia	PEI
1998	\$14,747		\$10,036	\$12,416	\$15,463	\$17,282	\$16,882	\$20,767	\$14,596
1999	\$18,250		\$13,003	\$17,329	\$19,549	\$22,445	\$23,422	\$25,605	\$19,071
2000	\$17,436		\$14,671	\$16,591	\$18,728	\$21,213	\$22,913	\$26,294	\$19,509
2001	\$19,826		\$14,719	\$15,227	\$20,792	\$24,370	\$24,537	\$28,596	\$20,548
2002				\$15,569	\$22,412	\$28,400	\$26,492	\$29,729	\$22,873
2003	\$23,244		\$17,860	\$17,801	\$25,709	\$28,622	\$28,259	\$31,629	\$25,409
2006				\$23 600	\$29,800	\$30,840	\$29,788	\$32,078	\$29,200
2009		\$32,488			Around 2010, these provinces capped their quota at \$25,000.				
2010	\$38,719	\$36,684							
2013	\$42,500	\$37,435\$	\$32,850	\$31,000					
% Increase	188 %	15 %	227 %	150 %	93 %	78 %	76 %	54 %	100 %

The value of a milk quota is based on the formula 1 kg butterfat/day which represents the daily production of a dairy cow.

Sources : Fédération des producteurs de lait du Québec, Centre canadien d'information laitière, MAPAQ

During the same period, the number of dairy farms in Canada decreased by 47 %.

NUMBER OF DAIRY FARMS IN CANADA

*Newfoundland n/d

	British-Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Québec	New-Brunswick	Nova-Scotia	PEI	TOTAL
1998	808	1,082	484	825	7,617	10,614	373	373	410	22,643
2004	679	776	294	555	5,641	8,054	285	344	301	16,970
2014	455	566	166	308	3,926	5,894	206	229	180	11,962
	44 %	48 %	66 %	63 %	48 %	44 %	45 %	39 %	56 %	47 %

In the poultry sector,

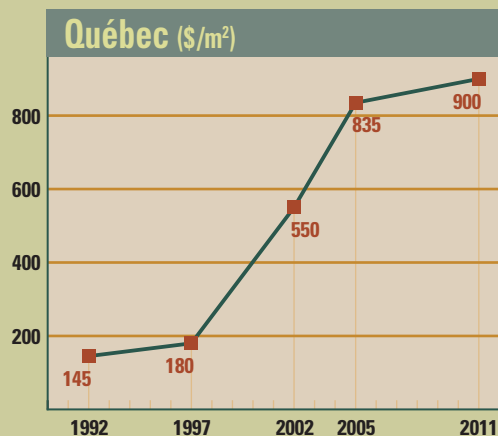
the method of calculating the price of quotas varies from province to province.

For example, both Alberta and Ontario base their quotas on production units but the Ontario unit represents 12.1 kg of poultry produced annually whereas in Alberta, the unit represents 20 kg of poultry produced annually. In Quebec, the poultry quota is expressed in square meters of surface area.

VALUE OF QUOTAS

Turkey		Laying hens			
	Québec		Manitoba	Ontario	Québec
1976	\$80 /m ²	1992			\$28
2008	\$450 /m ²	1997			\$44
		2002			\$118
		2013	\$205	\$260	\$245
		2014	\$208		

VALUE OF CHICKEN QUOTAS IN VARIOUS CANADIAN PROVINCES



Note : Before being capped at \$900/m², the price of certain quotas reached \$1,200/m² in Quebec.



Note : In Alberta a unit of quota is equivalent to about 20 kg of chicken per year.



Note : In Ontario, a unit of quota is equivalent to about 12.1 kg of chicken per year.



section 2

WHAT DOES ALL THIS MEAN?



WHAT DOES ALL THIS MEAN?

The figures taken individually are not very meaningful to the vast majority of citizens who no longer live close to agriculture. Indeed, practically speaking, what does a quota of \$900/m² per chicken, or \$260 per laying hen, or \$25,000 per dairy cow mean?

Dairy

In 2013, Quebec and Ontario accounted for more than 75% of dairy production in Canada. We therefore took their means as a reference point, that is 77 dairy cows per farm. Since about 2010, these two provinces capped the price of their quota at \$25,000 per kg butterfat per day (which is equivalent to the production of one dairy cow). A young farmer wanting to get into dairy production would have to invest more than \$1,900,000 in order to acquire quotas before buying a single cow, supposing that quotas are even available, which they rarely are.

Some would argue that it is not realistic to use mean values since a young farmer could start with fewer cows. That's true. Let us take the minimum quota required. In Ontario, Quebec, New Brunswick and Nova Scotia the price of quotas has been capped at \$25,000. All four provinces require a minimum quota of 10 kg in order to start production. Thus a young farmer has to invest \$250,000 in order to milk 10 cows.

We will leave it to you to add the price of acquiring the cows, the buildings, the tractor, the equipment, etc. All of this represents quite the hurdle.





WHAT DOES ALL THIS MEAN?

Chicken

In 2013, Ontario had 33% of the market share of chicken production in Canada while her neighbour, Quebec, had about 28% of the market. Ontario farms had on the average 35,393 production units. The quota was \$130 per unit. They thus had to invest \$4,600,000 even before constructing the farm buildings.

In Ontario the minimum quota for chicken is set at 14,000 quota units. This means that to start raising chickens you have to invest \$1,820,000 to buy the quota. All the rest is added on.



Eggs

As far as the production of eggs for human consumption is concerned, once again Ontario and Quebec have most of the market share quotas, about 60% of the Canadian market. According to the figures for 2010, Quebec had only 104 egg producers with an average of 36,000 hens per farm.

Are you tempted? For this medium sized farm you would have to invest close to \$8,000,000 to buy the quota. What is the minimum quota in this sector? In Quebec, there is none since no new quota is available.

WHAT DOES ALL THIS MEAN?



section 3

SLOW CARTELIZATION

We do not need a degree in economics in order to understand that the rise of the cost of quotas, as we have previously seen, has discouraged the next generation of farmers. Over time free market logic prevailed as the holders of quotas traded among themselves resulting in a galloping concentration of farms. In the space of barely 30 years, we can see that a collective system aimed at serving Canadian agriculture, has become the property of a few.

- 🌀 In Quebec, 104 egg producers produce 1.2 billion eggs with a farm gate value of 150 million dollars.
- 🌀 In Ontario, 1,100 chicken producers raise close to 200 million birds.
- 🌀 In British-Columbia, 65 turkey producers produce 21,316 tonnes of meat.
- 🌀 In Saskatchewan, 166 dairy farms produce more than 2,300,000 hectoliters (1 hectoliter = 100 liters) of milk.

Under these circumstances, can we still speak of equity between generations of farmers? Is this what Canadians wish for their agriculture?

It is important to remember that the system of supply management was aimed at protecting farms and farmers' revenues.

If we look at the following tables, we can see that it only protects a small group of privileged producers.

Furthermore, if we take into consideration that the system of supply management is combined with accessibility rules which render acquisition of quotas almost impossible for the next generation, we can surely assert that supply management has not only departed from its original mission but has also slowly developed into a cartel.



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SOME DATA ON POULTRY PRODUCTION

	BRITISH-COLUMBIA				ONTARIO				QUÉBEC			
	Chickens		Turkeys		Chickens		Turkeys		Chickens		Turkeys	
	M kg*	Producers	M kg	Producers	M kg	Producers	M kg	Producers	M kg	Producers	M kg	Producers
1982			9.4	56			41.1	162			22.2	193
1985		214				724				735		
1990	69.8	238			193.4	875			168.4	690		
1999	128.5	301	17.0	49	273.6	1,150	50.0	161	237.8	737	29.0	142
2009	152.9	327	19.1	63	328.0	1,039	58.3	192	279.9	776	32.3	133
2011	154.0	331			334.5	1,013			280.0	760		
2012	155.2	333	20.2	65	330.9	1,003	55.3	186	380.7	758	31.7	136

* Millions of kg

Between 1990 and 2013, 64% of Canadian dairy farms disappeared while the amount of milk produced in Canada increased from 73,455,430 to 78,197,966 hectoliters.

NUMBER OF DAIRY FARMS IN CANADA

	*Newfoundland n/d										
	British-Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Québec	New-Brunswick	Nova-Scotia	PEI	NWT	CANADA
1990	1,031	2,178	1,496	2,113	10,976	14,903	568	686	669	n/d	34,620
2013	491	585	172	332	4,083	6,189	214	237	193	33	12,529
	-52 %	-73 %	-89 %	-84 %	-63 %	-58 %	-62 %	-65 %	-71 %		-64 %

If the concentration of farms under supply management was just an inexorable law of the marketplace, collectively we could resign ourselves to accept that. However, it doesn't explain the multitude of barriers raised by those within the system against whoever would like to get into the production, have a small production, or a market niche. These barriers reinforce the image of a cartel for it appears that they are designed to discourage anyone who wants to get into the production or to diversify their production. The simple cost of quotas is an important argument, and here are a few others :



- 🌀 In Ontario and Quebec, producers with acquired rights for small volumes of chickens and eggs cannot transfer these rights to their children, so for all practical purposes, these acquired rights will be lost.
- 🌀 In Quebec, a producer with a small quota who wants to sell his chickens directly from the farm has to buy the chicken from his association before selling it to a customer. His costs are thus artificially inflated.
- 🌀 There is no possibility to produce milk without having a quota (non-quota) except in Alberta.
- 🌀 In Quebec, an artisan cheese maker has to pay milk transport fees to his association... even though the milk comes from his own farm.
- 🌀 Several commodity sectors, in several provinces, no longer deliver new quotas except under certain conditions of increasing domestic demand.
- 🌀 In commodity sectors which are strongly integrated¹, such as egg production, quotas rarely come on the market. No sale of quotas, no new producers.
- 🌀 Québec, for example, calculates its chicken quota on a square meter basis. In order to be profitable, a producer must try to produce the longest time possible in this space. All producers who would like to free-range² their hens are greatly disadvantaged..

¹ Vertical integration occurs when a single firm owns and controls several or all of the steps in the production of a commodity.

² We were unable to find a single producer of free range hens with a quota.

PRODUCING NON-QUOTA



IS IT AN OPTION?

At this point, those who know a little bit about agriculture would be tempted to say that non-quota production would be an interesting avenue for small farmers and new productions. But what is "non-quota"?

Each provincial government gave the marketing boards, which administer the commodity under supply management in its province, the right to determine the conditions under which a person can produce or market the said commodity. The boards can thus determine how many chickens, laying hens, turkeys or cows a Canadian farmer can have without having to purchase quota units.

Even though domestic consumption is calculated on the federal level, what can be produced outside of a quota is under provincial jurisdiction.



4 section

PRODUCING NON-QUOTA

NON-QUOTA PRODUCTION IN CANADA

	Chickens	Laying Hens	Turkeys	Milk Cows
British-Columbia	2,000*	100	Personal use : 50 Direct sale : 300	No non-quota. Minimum quota : 4 kg
Alberta	2,000	300	300	Allows the production and processing of 50 L of milk/day without quota.
Saskatchewan	1,000	300	100	No non-quota. No minimum quota.
Manitoba	1,000	100	100	No non-quota. Minimum quota : 1 kg
Ontario	300	100	50	No non-quota. Minimum quota : 10 kg
Québec	100	100	25	No non-quota. Minimum quota : 10 kg
New-Brunswick	200	200	25	No non-quota. Minimum quota : 10 kg
Nova-Scotia	200	100	25	No non-quota. Minimum quota : 10 kg
PEI	500	300	n/d	No non-quota. Minimum quota : 5 kg
Newfoundland	100	100	n/d	No non-quota. Minimum quota : n/d

* An annual \$20 permit fee is required and data must be presented.

Note : These are the latest figures. Several older producers in different provinces say that the non-quota production was higher in the 70s and 80s but was lowered to its present level. We couldn't find any supporting evidence.

There appears to be no explanation nor justification for the fact that an Albertan can produce 2,000 chickens outside-of-quota whereas a Quebecker only 100; or why you can have 300 laying hens in Saskatchewan but only 100 in British-Columbia.

Despite our research, we were unable to find a single table, formula or study justifying the levels of non-quota determined by the commodity associations. They appear to be completely arbitrary, even though they impact all Canadians living within the province affected. The commodity associations and marketing boards have immense power without justification, and when we take into consideration provincial differences, infringe on equal rights for all Canadians.

NEXT GENERATION & NICHE MARKETS



Some commodity associations in several provinces have timidly established programs for the next generation of farmers or for niche productions. Those which we examined did not reform the system, on the contrary, they applied the actual system, with its weaknesses, to smaller volumes. Besides, some had to be suspended or terminated because of a lack of profitability, before being overhauled. Some programs, such as those of the egg producers in Quebec, offer their quotas by draw, reinforcing the image of a private club having the hen who laid the golden egg.



According to information¹ from the Éleveurs de volailles du Québec (Association of Quebec Poultry Producers), a modification in the by-laws (Règlement sur la production et la mise en marché du poulet) was introduced² allowing quotas for smaller volumes of chickens. The modification would offer an alternative to producers who need more than the 100 chickens per year permitted without a quota but is less than the former quota of 100 m² (equivalent to 5,000 chickens per year). From now on a producer who wants to raise more than 100 chickens per year can buy a quota of 10 m² which is equivalent to 500 - 2 kg chickens per year.

But this is a good example of a false solution both for the next generation of farmers and for niche markets.. Why pay \$9,000 for 10 m² to a commodity association when you could produce more chickens without having to buy a quota in half of the Canadian provinces? In addition, you would have to pay a levy to your commodity and marketing association, buy back your production as any other industrial producer and all this in order to sell at your farm. Producers for niche markets already pay the marketing costs of differentiated products without the support of marketing associations.

¹ September 2014

² When we consulted the by-laws of the Règlement sur la production et la mise en marché du poulet at the end of October 2014 on the website of the Régie des marchés agricoles et alimentaires du Québec, the modification had still not been posted.



section 5

IN SUMMARY



WHAT DO WE HAVE AGAINST THE ACTUAL SYSTEM OF SUPPLY MANAGEMENT?

Enrichment of a small number

When quotas are traded, those who already have quotas are favoured because of their important capitalisation. Given the prohibitive initial value of quotas, the actual system can only enrich a small minority of producers, including those who are integrated. Supply management has deviated from its social mission to protect Canadian farmers. The producers who have quotas trade among themselves. This is not much different from the free market which they tend to criticize. Some producers under supply management are aware of this but they are in a minority. A resolution adopted in the Renfrew region of Ontario, which sought to limit to 250 kg the maximum amount of quota which could be held by a milk farm, was rejected by their congress.

Standardization

The present system serves the needs of mass markets rather than differentiated markets. For example, several players in the processing industry must buy their butter outside of Canada since they cannot find the specific kind of butter they want on the domestic market. A buyer of chickens in Quebec had to abandon buying chickens without antibiotics because he was told that he couldn't have any although he could buy them in the United States. Canadian milk, a living food, tastes the same from coast to coast whereas in Europe and in the United States there are dozens of kinds of milk, with different tastes, reflecting the regions which produce them or the farms from which they come. Free-range hens? Organic? Aged for a longer period of time? All these are difficult, if not impossible, to find in a large part of Canada because of this cartelization of supply management.





WHAT DO WE HAVE AGAINST THE ACTUAL SYSTEM OF SUPPLY MANAGEMENT?

A disincentive for a regional agriculture

The integrated structure of supply management with the processing industry creates a system of interdependence. Processing is centred around certain regions in Canada and similarly, farms under supply management tend to move closer to the centres of processing to the detriment of the regions. The main reason is one of cost. The further a farm is located from the processing centre, the more the farm costs to the commodity associations as far as the cost of transport and storage are concerned. Moreover, production costs are higher in the regions for many reasons: price of feed, fuel, electricity and other inputs. This difference makes profitability even more difficult in the face of quotas which cost the same regardless of location. There are many cases where young producers sought to buy a neighbour's quota but the quota was transferred to another region. In these cases, the free market prevailed over the social aspect of the system.



Geographic concentration of agri-businesses

At least 80% of Canadian dairy farms are located in Ontario and Quebec whereas these provinces represent only 61.7% of Canada's population. Ontario and Quebec also have the lion's share of egg and poultry production in Canada : Ontario produces 38% of our eggs and 33% of our poultry, whereas Quebec produces 16% of our eggs and 27% of our poultry. Several producers from the other provinces complain about this concentration of the supply management system which favours the centre of Canada. They assert that the system is badly apportioned.



WHAT DO WE HAVE AGAINST THE ACTUAL SYSTEM OF SUPPLY MANAGEMENT?

Animal well-being

The issue of animal well-being may appear to be of lesser importance when we compare ourselves to other societies but it needs to be addressed because of the rapid changes in the perceptions of the population. In 2001, Canada had 1,091,000 milk cows each producing an average of 67 hl of milk. In 2011, 987,000 cows produced an average of 78 hl each. The time needed to produce a chicken or a turkey has also greatly decreased over the years. Twenty years ago, it took 54 days to produce a marketable chicken, now only 34 to 36 days are required. This may appear to be a technological advance but it needs to be questioned. Should animals be butchered solely to maintain high levels of egg or milk production? The present system of supply management governs the production of its members in order to standardise and distribute production evenly on an annual basis. This tends to put pressure on the system towards production imperatives : animals are kept in tie-stalls, space is lacking, the normal behaviour of the animal is perturbed, there is an absence of natural light, preventive antibiotics are used, there is over production, and abusive culling rates of dairy cows etc. All this is not desirable in a society sensitive to the issue of animal well-being.

Cheating

If Canada is managing its supply and demand in an equitable and responsible fashion, how come we are the seventh most important importer of turkeys in the world with over 5.4 million kg imported? Couldn't the coming generation of farmers meet the demand? How is it that hundreds of millions of tonnes of butter and milk powder are stored because of surpluses? That we export milk substances to developing countries, which destabilizes their national production, at the same time as we denounce the importation of milk substances into Canada.



WHY SHOULD WE CARE



ABOUT SUPPLY MANAGEMENT?

Agriculture occupies an important place

in the Canadian identity, its economy, as well as its social fabric.

We believe that it concerns the entire population. Supply management was a collective response to a problem faced by farmers and it cannot evolve in isolation. In some respects, more than any other agricultural program, it is answerable to its citizens because of the protection it offers to the agri-food sector.

It is because of this social responsibility that we ask what has become of the dairy, egg, chicken and turkey sectors. We fear that the tangents taken by these commodity sectors, in addition to giving ammunition to the opponents of supply management, will finish by putting an end to the system itself. A healthy supply management system can contribute to food sovereignty and protect Canadian farms on the condition that it does not imitate the mechanisms of neoliberalism.



6 section

Should supply management be abolished or preserved?

It is not because supply management has strayed away from its original goals that we should get rid of it entirely. At the beginning it played an extraordinary role, then slowly it drifted away from its objectives. The marketing boards were greatly responsible for this drift. Well managed, transparent, and with a return to its social vocation, supply management can :

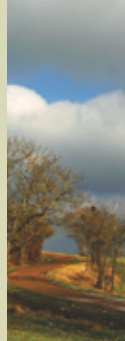
- 🌀 Prevent dumping
- 🌀 Stabilize agricultural revenues
- 🌀 Share the cost of the system
- 🌀 Furnish quality foods for the mass market
- 🌀 Preserve the number of Canadian farms.

WHY SHOULD WE CARE?



section 7

SUPPLY MANAGEMENT 2.0



A THIRD AVENUE

It follows from the preceding pages that it is essential to renew the supply management system. At a time when people become more and more conscious of the sources of their food and the ways in which food is produced, supply management has lots to offer. If, in addition, we integrate the expectations of Canadians as far as agriculture, democracy, equity and diversity are concerned, supply management can become an important ally in terms of food sovereignty. For this reason, we call it Supply Management 2.0. We see it as an improvement, an update, offering greater availability and accessibility. Our propositions target the areas which appear to be easily attainable with a bit of good will from all concerned.



Proposition 1

A national commission on supply management should be organized by the federal government in order to allow all Canadians to express their opinion on the subject. After more than 40 years, and with the multiplication of free-trade treaties, it is time to take stock of the situation. If the federal government does not want to take this responsibility, we invite the provinces to exercise their leadership and create provincial commissions on the subject.

Proposition 2

It is imperative to put a cap on the price of quotas in all the commodity sectors in the provinces that haven't already done so. Subsequently, we should try to diminish the cost of quotas in a reasonable manner.

Proposition 3

There should be a limit as to the number of quota units that a single producer can hold in each of the commodity sectors of supply management. This would correspond to one of the objectives of the system which was to protect farms, farm revenues and by extension, farm numbers. If supply management is a collective tool, it is necessary to share the wealth in the interests of the new generation of farmers and the regions.

Proposition 4

Since the regulations governing non-quota production affect the entire population and not just the producers in a province, they should no longer be determined by the marketing boards but rather by the Minister of Agriculture in each province.

Proposition 5

Non-quota production should be increased in each commodity sector in order to make room for the next generation of farmers, for new commodities and for the regions. This would renew the rural economy: cereals, feed, agricultural equipment, etc. Canadians would have access to more ecological, local and niche markets. It is discriminatory that Canadians cannot produce an equivalent number of chickens, poultry, or milk from province to province.

The following tables demonstrate that an increase in non-quota production would not be detrimental to those who already have quotas. It would be a simple way to allow access for a new generation of producers.

Chicken						
Province	Number of producers	Current production	Authorized non-quota	Proposed non-quota	Scenario	% of current production
Ontario	1,128	196,000,000	300	2,000	1,000 new farms per province	1.02 %
Québec	758	173,157,453	100			1.15 %
Laying Hens						
British-Columbia	132	768,000,000 eggs	100	300	500 new farms per province On a basis 300 eggs/hen/year*	5.85 %
Ontario	430	2.4 billion eggs	100			1.87 %
Québec	106	1.2 billion eggs	100			3.75 %
Turkey						
British-Columbia	64	21,316,000 kg of meat	Personal use : 50 Direct sales : 300	300	500 new farms per province	5%
Ontario	185	68,603,000 kg	50			1.6%
Québec	136	31,496,000 kg	25			3.4%

*This number corresponds to an industrial production which is almost unattainable on a small farm. According to us, the real percentage should be 25% inferior to the figures presented here.

Proposition 6

That a non-quota in the dairy sector be established in all of Canada and that this non-quota be accessible to the new generation of farmers who have quotas in order to increase their revenues.

Milk Production						
Province	Number of producers	Current production	Authorized non-quota	Proposed non-quota	Scenario	% of current production
British-Columbia	491	6,714,342 hl	No non-quota Minimum quota 4 kg	50 litres* (0.5 hl)	1,000 farms per province	2,7%
Ontario	4,083	25,476,072 hl	No non-quota Minimum quota 10 kg			0,7%
Québec	6,189	29,390,984 hl	No non-quota Minimum quota 10 kg			0,6%
* The milk sold must be pasteurized in accordance with Canadian legislation.						

Proposition 7

The barriers imposed by the commodity associations concerning direct and short channel sales should be lifted in order to favour the development of new farms and local markets. For example :

- 🌀 The obligation for artisan cheese producers to pay milk transport costs when using their own milk.
- 🌀 The obligation for a producer with a chicken quota to buy back his own production before being able to sell the chicken directly at the farm.

A great number of examples such as this exist in all the provinces.

Proposition 8

Separate organic production from conventional production. Separate organic marketing boards should be established in order to manage their own quotas and develop the organic sector according to their distinctiveness and their markets.

Proposition 9

Farmers under supply management appear to be the most regulated group in the world and not all of it is justified. The current regulations concerning salubrity or marketing impose excessive constraints on dairy farmers. The regulations should be modulated on the basis of farm size.



CONCLUSION

We could have gone a lot further

but this document is intended as a process and not as a final outcome. It should be used to stimulate reflection and debate and ultimately should result in concrete, versus superficial, changes to the system of supply management. If we as Canadians want to preserve the system of supply management, we must question it, make it more democratic, and finally endow it with a real mission to maintain a diversified and pluralistic agriculture. It would not be superfluous to also review the regulations which govern butchering on farm or the sale of unpasteurized milk; it would make these products accessible as in most of the American states and in Europe.

At the moment, the free-trade treaties which are springing up between Canada and other countries are making holes in Canadian food sovereignty. The free market takes advantage of the situation with the result that there are fewer farms and a poorer food system. Doing nothing is tantamount to signing a death warrant for supply management.

What sort of agriculture and agri-food system do we want? It is up to all Canadians to choose. Whether you are a farmer or a consumer, help us to ensure that a supply management system which reflects current realities can emerge and play a leading role in food sovereignty :

Supply Management 2.0.

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Manitoba Chicken Producers – chicken.mb.ca

BC Chicken Marketing Board – bcchicken.ca

Les éleveurs de volaille du Québec – volaillesduquebec.qc.ca

Chicken Farmers of Ontario – ontariochicken.ca

Commission canadienne du lait – cdc-ccl.gc.ca

Sustain Ontario – sustainontario.com

Food Secure Canada – foodsecurityresearch.ca

Ministère de l'Agriculture du Québec – mapaq.gouv.qc.ca

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Statistique Canada – statcan.gc.ca





november 2014



UNION PAYSANNE
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TOWARDS SUPPLY MANAGEMENT 2.0 IN CANADA