

*Rebuttal by the Fédération des producteurs de lait du Québec to the column published in La Presse,
On Wednesday, June 5, 2013*

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The path of least resistance

Why complicate things when you can keep them simple? In his column, "La loi du camembert," condemning supply management, Alain Dubuc chooses to "make things simple" and apply the path of least resistance, even though he acknowledges that the realities of agriculture are complex and that it is dangerous to cite figures out of context.

The columnist's pivotal argument against supply management is that a French camembert, Le Rustique, is available at Carrefour, the big French retailer, at \$9.60 a kilo this week and that the same camembert, imported into Quebec, sells for \$32 a kilo at IGA. Quebec camembert is even more expensive at \$35 a kilo. How can this "phenomenal" gap be explained? It's simple! Blame it on supply management!

The price of milk here in Quebec isn't the reason that French camembert sells for \$9.60 a kilo in its country of origin, and for \$32 a kilo here. Neither are customs duties. This cheese entered Canada, duty free, just like the other 20,400 tonnes of cheese imported duty free every year. Even when shipping costs and the importer's costs are added, nothing justifies selling French camembert for \$32 a kilo here. The most logical explanation is that the middlemen are inflating their profit margins instead of passing on the savings to consumers.

I know, I know. Mr. Dubuc will say this is normal in a market economy. He will say that reality is more complex and that such simplistic calculations can't be made to evaluate the importing and distribution costs of French camembert in Quebec. I agree. Reality is more complex.

Of the \$35 per kilo price of Quebec camembert sold at IGA, the value of the milk is about \$8. Even if the producer gave his milk to the cheese plant, the retail price of camembert would still be \$27 a kilo, nearly three times the price of camembert in France.

Comparing French camembert to Quebec camembert is a flawed argument. It means comparing a mass market product, manufactured on an industrial basis in France, with a specialty product, manufactured on a small scale here. It would have been fairer to compare the price of cheddar in Quebec to the price of camembert in France. On the IGA website, we find cheddar advertised at about \$12 a kilo. The price differential between Quebec and French dairy products that are both mass produced, is far from phenomenal.

Since the deregulation of milk support prices in Europe in 2007, and despite \$60 billion of annual support from the Common Agricultural Policy, producers have been in crisis. Just Google "milk crisis" and you'll see the evidence. Market prices don't cover the costs of production of French producers, despite the subsidies they receive.

The May 24, 2013 online version of *Le Point* magazine reports comments by Carrefour CEO Georges Plassat regarding the price war French distributors have been waging for months: "If we keep on like this, we're heading for disaster. A price war ends in ruins" resulting in "falling investments, reduced employment and declining innovation and research".

The Canadian system is not perfect of course, but supply management provides an income to Canadian producers without government subsidies. It generates over 80,000 quality jobs and \$7 billion of GDP, not counting the tax spinoffs, and offers a wide range of high-quality local products. It deserves recognition and support.

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