



Les
Producteurs
de lait
du Québec

Rebuttal by the Les Producteurs de lait du Québec to the text entitled “La gestion de l’offre appauvrit trop de Canadiens” (Impoverished by Big Dairy) by Vincent Geloso and Alexandre Moreau, published by La Presse + on September 2, 2016.

This rebuttal, entitled “Un filet de sécurité essentiel” (An Essential Safety Net), was published by La Presse + on September 7, 2016

La Presse +: http://plus.lapresse.ca/screens/bf6eae88-74b1-4f48-b341-a47542cf2de5%7C_0.html

245,000 Canadians impoverished by the free market

Vincent Geloso of the Montreal Economic Institute (MEI) states in his La Presse + op-ed on September 2 that supply management is causing Canadian households to pay \$438 more annually than Americans for a basket of dairy, egg and poultry products. According to him, as many as 190,000 people are in a situation of economic vulnerability due to this gap.

The MEI’s conclusion is based on the assumption stated in the annex to its publication: “*We assume that Canadians could have imported these items and saved the cost difference between the US and Canadian baskets.*” In other words, the Institute thinks that if we had a free market for supply-managed products, consumer prices would be the same in the United States and Canada.

The reality is much more complex. A whole host of factors influence the retail pricing of food; the price of basic agricultural goods is just one of them, though often not the most decisive. Moreover, many products traded in a “free market” are more expensive in Canada than south of the border.

To illustrate the Institute's flawed argument, we have selected three non-supply-managed products: pork, beef and wheat, which are priced based on North American market prices and freely traded between the two countries. Then, we applied the same method explained in its annex and used the same data sources. Result: Canadian households pay \$569 more annually than Americans to buy pork chops, ground beef and bread. Following the MEI’s shaky reasoning, the conclusion that can be drawn is that over 245,000 Canadians are impoverished due to this gap.

The MEI may be able to take advantage of tax deductions reserved for charitable institutions, but its credibility as a defender of the poor is more than questionable. In our global liberal economy, a market alone cannot ensure a fair distribution of resources and wealth or eliminate poverty. Without the safety nets set up by

governments, and often criticized by the MEI, not only the gap between the rich and poor, but poverty itself would be even greater. This is even truer for farmers.

Milk producers in New Zealand, Australia, Europe and the U.S. have been in a crisis for 18 months. They are absorbing price declines of over 50% in some cases. Europe abandoned supply management in 2015, which resulted in overproduction, saturated export markets and generous CAP subsidies that still cannot keep them afloat. This slump will cost the taxpayers in these countries billions of euros and dollars in subsidies.

Supply management allows a fairer distribution of generated wealth between the links in the chain. It provides producers with a fairer income that comes entirely from the market without costing taxpayers anything. Thanks to supply management, Quebec's dairy sector generates 83,000 jobs, adds \$6.2 billion to the GDP and contributes \$1.3 billion in taxes. Dismantling it would plunge the sector into a crisis like the one ravaging the rest of the world, without any guarantee of benefits for consumers.

Alain Bourbeau, Director General, Les producteurs de lait du Québec