



Les
Producteurs
de lait
du Québec

Rebuttal to the viewpoint of the Montreal Economic Institute entitled Ending Supply Management with a Quota Buyback published by LaPresse+ on June 1, 2017

This rebuttal was published by the Huffington Post on June 4, 2017:
http://quebec.huffingtonpost.ca/genevieve-rainville/gestion-offre-interet_b_16926870.html

What Interests Would Be Served by Ending Supply Management?

A new viewpoint published on June 1 by the Montreal Economic Institute (MEI) suggests that the government should pay milk and poultry producers \$13 billion of taxpayer money to buy back their quota and end supply management. The MEI figures that this approach to deregulation would save Canadian consumers \$6 billion every year without any negative impacts on the Canadian economy and dairy industry. But the authors are looking through rose-coloured glasses.

The first problem with the MEI's calculations is the lack of rigour. The comparison of Canadian and American milk prices is a glaring example. The MEI's source for the Canadian price is Statistics Canada, which is a credible source, but one that factors in only the price of whole milk in one-litre containers. Yet, one-litre containers are the least sold container size in the country, with hardly 1% of the sales. They also happen to be the most expensive container size: \$2.47 per litre on average. For the United States, the MEI happened to choose the price of the least expensive container size, the gallon, in a sub-region of the country, the Midwest, where the price is very low, at \$0.92 per litre.

If you compare apples with apples, the difference evaporates. The average price of a 4-litre container of whole milk, for Canada¹ as a whole, calculated per litre, is \$1.43. The price of a gallon of whole milk, for the United States² as a whole, calculated per litre, is \$1.11. This price difference is comparable to the one observed for a range of Canadian products – food, clothes, electronics, cars – which are not supply managed.

The MEI presumes that by deregulating and opening the market, the price differences between Canada and the United States will disappear. Nothing could be further from the truth. All the other parties in the market between producers and consumers contribute to

¹ Retail sales data from The Nielsen Company for the period selected by the MEI.

² Same source as the MEI, but for the entire United States.

this difference. And there are still other factors that must be considered, such as social measures, market size, taxation policies and population density. Ending supply management will not change any of those at all.

In addition to overestimating the gains and taking them for granted, the MEI does not account for any negative impact in its viewpoint. Yet, a Boston Consulting Group study released in 2015 estimated that ending supply management would cause up to 50% of dairy farms to disappear, threaten 24,000 jobs and result in a net loss of \$2.1 to \$3.5 billion in Canada's GDP.

Despite support from U.S. Farm Bill and European Common Agricultural Policy subsidies, U.S. and European producers have been thrust into a crisis that has dragged on for over two years. Australians deregulated their dairy industry in 2000 and have since lost 53% of their dairy farms. The value of their exports has fallen by 24% and their dairy production, by 12%. This is the mire that the MEI wants to plunge us into.

To keep from losing a dairy industry that currently generates 221,000 jobs, \$20 billion for the GDP and \$3.8 billion in tax receipts in Canada, all without subsidies, taxpayers would have to pay billions in income support, in addition to the some \$13 billion that the MEI suggests paying to producers as compensation. A fool's bargain!

All federal and Quebec political parties support supply management. Two recent surveys, one by Abacus Data and another by Campaign Research, show that more than three-fourths of Canadians and Quebecers support supply management because they truly understand the advantages of this model.

I will not claim to be impartial. I work for Quebec milk producers, who have every interest in keeping a model intact that provides them with a fair income and maintains high quality local production, dynamic regions and land occupancy.

For which interests does the MEI work? Its status as a charitable organization allows it to issue tax receipts to its anonymous donors. No one will believe that it works for the public good when it shares such misinformed viewpoints.

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