

SUPPLY MANAGEMENT AND THE TRADE AGREEMENTS



Les
Producteurs
de lait
du Québec

Supply management is the system by which milk producers strike the best possible balance between supply and demand for their products in Quebec and Canada.

This means that producers produce only the volume required to properly meet the needs of local consumers and avoid producing surplus milk that would have to be sold at a loss.

Canadian farmers under supply management rely entirely on the market price and receive no government subsidies to support their incomes. They need imports to be controlled to prevent exporting countries that heavily subsidize their producers, enjoy climate conditions that Canadian farmers cannot compete against or have more lenient rules and underpaid labour from invading their market.

Three agreements that harm milk producers

Milk producers have never been opposed to the general principle of free trade agreements.

However, in the last three free trade agreements signed by Canada (CETA, CPTPP and USMCA¹), our country has conceded nearly 8.4% of its dairy production and processing. This means that nearly 800 million litres of milk will permanently no be longer produced by Canadian producers, which is the equivalent of the annual production of 1,200 average-sized dairy farms in Quebec.

¹ Comprehensive and Economic Trade Agreement (CETA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and United States-Mexico-Canada Agreement (USMCA).

Economic benefits of the dairy sector (2017)

Dairy farms: **5,308**

Production: **3.29 billion litres**

Total farm receipts: **\$2.58 billion**

Jobs: **83,000**

Contribution to GDP: **\$6.2 billion**

Tax receipts: **\$1.3 billion**

Highlights of the three agreements on the dairy sector:

- Concessions will ultimately total about 8.4% of the dairy product market.
- Income losses total over \$450 million owing to market access alone (\$100M CETA, \$160M CPTPP, and \$190M USMCA), i.e. around \$41,000 per farm.
- Additional costs ranging from \$50 to \$350 million caused by the export surcharge could limit the volume of milk Canada is able to export.
- Once CETA (+1.4% access), the CPTPP (+3.1%) and the USMCA (+3.9%) are fully implemented in 2024, Canada will import around 18% of its milk production, which equals \$1.3 billion in annual lost sales for producers alone.

OUR DEMANDS

As promised by Minister Freeland during the press conference on October 1 announcing the conclusion of the USMCA, Canadian milk producers should be provided full and fair compensation for all lost market shares.

The motion unanimously adopted in the House of Commons on October 5, which demands that “the House call on the government to implement a program that provides financial compensation to egg, poultry and dairy farmers for all the losses they sustain due to the breaches to the supply management system in CETA, the CPTPP and the USMCA, and that it do so before asking parliamentarians to vote on the USMCA,” should also be upheld.

On the Government of Canada:

- **Provide full and fair compensation** to all milk producers and supply-managed producers in proportion to the lost markets and incomes they will incur as a result of CETA, CPTPP and the USMCA;
- **Maintain effective and profitable** marketing mechanisms for solids non-fat over the long term and compensate producers for the negative financial impacts resulting from these mechanisms if they are made less effective by the trade agreements;
- **Minimize the negative impacts** of additional imports
 - by targeting less harmful types of utilization in the allocation of tariff rate quotas, effectively distributed over time and space;
 - by instituting mandatory labelling rules that require the origin of all dairy product ingredients to be indicated so that consumers can make well-informed choices;
- **Prepare and adopt**, in consultation with producer and industry representatives, a long-term dairy sector development policy and exclude supply-managed sectors from any new trade negotiations in the future

On the Government of Quebec:

- **Show leadership** by ensuring that the federal government develops and implements all of the measures mentioned by this resolution;
- **Exercise all political and legal recourses** at its disposal to ensure that the federal government keeps its promises and meets the expectations of producers.