Fédération des producteurs de lait du Québec

Rebuttal by the Fédération des producteurs de lait du Québec to Alain Dubuc's column entitled "Taxer le lait," which was published in La Presse on Wednesday, June 19, 2013

That's more trouble than it's worth!

I was not surprised to read the reply by *La Presse*'s Alain Dubuc, a respected and very influential economic columnist, to my open letter. I thank him for giving me the opportunity to provide more insight into the reality of the agri-food sector.

Canada's supply management system is actually the reason that dairy plants are able to buy milk from producers at the same price, give or take a few cents, from coast to coast. However, according to Nielsen, which gathers retail sales data both here and abroad, reports that the price of 4 litres of 2% milk was twice as high in some areas of Canada in the 12 weeks ending June 1, 2013, i.e. $4.36 ($1.09 per litre) in Ontario compared to $8.33 ($2.08 per litre) in Alberta.

In 2011, Nielsen reported that the average price of one litre of milk was $0.99 in the United States, $1.45 in Canada, $1.55 in Australia and New Zealand and $2.74 in Norway. In the same year, the price paid to producers ranged from $0.41 per litre in Australia to $0.83 per litre in Norway, while it was $0.76 per litre in Canada. How is it that the milk price paid by consumers in Australia, which completely deregulated its dairy sector in 2000, is higher than the price we pay in Canada, given that Australia pays a lower price to its producers?

Producer prices aside, these huge fluctuations in retail prices show just how little influence the price of raw materials has on the price paid by consumers. The cases of Australia and New Zealand perfectly illustrate how there is no guarantee that low producer prices will lead to low consumer prices.

The reality of agricultural production is complex. It is subject to the vagaries of nature and sustained by legions of farmers who have to deal with concentrations of big buyers. This reality makes it impossible to effectively balance supply and demand and still pay a fair price to producers. Mr. Dubuc acknowledges that we need to support agriculture, but wants to subsidize milk producers rather than maintain supply management.

This is what Switzerland decided to do. The agricultural budget of the Swiss Confederation, which has a smaller population than Quebec, will be CAD $3.8 billion per year from 2014 to 2017. The average Swiss dairy farm, which produces less than two times the milk of the average dairy farm in Quebec, received approximately $71,000 in subsidies in 2011, which were used to cover its operating deficit and as income for the producers. Despite these subsidies and due to the gradual deregulation of its dairy sector, Switzerland lost proportionately 30% more producers than Quebec from 2006 to 2011.

The supply management system allows Canada to stabilize its milk producers' revenue without subsidies and enjoy substantial economic benefits: more than 152,000 direct and indirect jobs on farms and at plants; $10 billion in GDP; $3 billion in tax benefits.

A reform like the one in Switzerland would cost Quebec taxpayers nearly $900 million annually just for the dairy sector alone. Not to mention the cost of dismantling numerous farms or the negative impacts on employment levels and regional economies that would result from deregulating and opening the markets. And after all that, consumers would still not be guaranteed low prices. That's more trouble than it's worth!

Alain Bourbeau, Agr.,
General Manager, Fédération des producteurs de lait du Québec
June 20, 2013