



Les Producteurs
de lait du Québec

Rebuttal to the text entitled "À quand la gestion de l'offre 2.0?" (When Can We Expect Supply Management 2.0?) by Sylvain Charlebois published on February 1, 2018 in La Presse+ and on February 2, 2018 in Le Quotidien

Supply Management, the Only Viable Way Forward for the Dairy Sector

In his text entitled "À quand la gestion de l'offre 2.0?" Sylvain Charlebois pleads for a reform of supply management without telling us what that reform would look like in concrete terms. In his opinion, supply-managed products are an unprecedented opportunity to offer premium quality products to the rest of the world in the wake of the new TPP and CETA trade agreements. The only thing that's missing is a strategy. If you read between the lines, he suggests that our resistance to change is the reason why we are not big enough, good enough or competitive enough to take advantage of the opportunity.

Dairy production in New Zealand, Australia, Europe and the U.S. is deregulated and geared towards export markets. Mr. Charlebois thinks that is the example we should follow. In recent years, these countries have grappled with major price declines that do not benefit consumers in any way. Since Australia deregulated its dairy sector in 2000, it has lost 55% of its dairy farms and the value of its exports has dropped 23%. As for Europe, it abandoned supply management in 2015, which has resulted in overproduction, saturated export markets and generous Common Agricultural Policy subsidies that are still not enough to keep its milk producers afloat. Mr. Charlebois would do well to watch the documentary in the *Cash Investigation* program entitled "Produits laitiers: où va l'argent du beurre?" (Milk Producers: Where Is the Money Going?), which was broadcast on January 16 and is a hot topic of discussion right now in Europe. It clearly shows how European milk producers have to produce at a loss and provides a concrete example of how New Zealand's mega production model is an environmental disaster, as its dairy sector now causes one-fourth of the country's greenhouse gas emissions, creating serious problems in phreatic zones due to excessive irrigation.

Mr. Charlebois states that the production costs are two times lower in the United States than here. That is incorrect! In fact, the USDA's data show that the producer price is much lower here, due to the disorganization and surplus production in the U.S. Its milk producers are producing at a loss, below their production costs, and are only able to survive because they receive Farm Bill subsidies, i.e. US \$100 billion per year in handouts to the U.S. agricultural sector. Not to mention the labour costs: A 2015 study commissioned by the National Milk Producers Federation revealed that without immigrant workers, who often do not have immigration papers and live in situations of great uncertainty, the retail price of American milk would increase 90%.

Supply management, the system in which production is based on domestic market needs, is currently yielding very positive results for the dairy sector and the Canadian economy. In the last

3 years, we have been responding to an annual growth in demand of over 4%. Milk producers are busy modernizing their enterprises so that they can keep up with it. To succeed, they invested over \$500 million in equipment and buildings last year alone, and that money keeps the local economy going.

With 116,000 jobs, an \$8.7 billion contribution to the GDP and \$2.1 billion in tax receipts, Quebec's dairy, egg and poultry production is a major economic sector. This dynamic, innovative and disciplined economic sector allows producers to develop profitable enterprises in a stable environment, while earning a fair income for their work, without subsidies, directly from the market.

The consequences of abandoning supply management and undertaking a reform with the same objective are raised in a recent PwC study and a study by the Boston Consulting Group published in 2015, which both evaluate the consequences of ending supply management: the disappearance of the majority of dairy and poultry farms and the loss of several tens of thousands of jobs. These are losses that our economy simply cannot afford. CETA and the TPP have been concluded, but Canada is still renegotiating NAFTA. The U.S. demands that Canada end supply management, but refuses to discuss its own agricultural policy. The only viable way forward for our sectors is for the Canadian government to show the same determination as the U.S. government in defending its interests and protecting its farmers.

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