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.

Economic benefits of the dairy sector (2018)

Dairy farms: **5,050**

Production: **3.29 billion litres**

Total farm receipts: **$2.60 billion**

Jobs: **83,000**

Contribution to GDP: **$6.2 billion**

Tax receipts: **$1.3 billion**

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 CUSMA[1]), 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.

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 CUSMA), 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 CUSMA (+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.**

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

OUR DEMANDS

As promised by Minister Freeland during the press conference on October 1, 2018 announcing the conclusion of the CUSMA, Canadian milk producers should be provided full and fair compensation for all lost market shares.

And in keeping with the promise made by the federal government in its March 2019 budget, which states that: "Through 2019, the government will continue to work in partnership with supply management stakeholders to address the impacts on processing, as well as potential future impacts of the Canada-United States-Mexico Agreement.

On the Government of Canada:

- **Offer dairy producers full and complete** compensation to mitigate the impacts of CUSMA;
- **Conclude an administrative agreement** with the U.S. government to ensure that the export duties for certain dairy products in CUSMA (milk protein concentrates, skim milk powder and baby formulas), which are triggered when a threshold is reached, apply only to the signatories of the agreement, i.e. the United States and Mexico, and not to the rest of the world;
- **Set up an additional compensation program** to mitigate the negative impacts of the export restrictions imposed by CUSMA if the abovementioned administrative agreement is not concluded;
- **Continue paying direct compensation** to dairy producers from the 1.75 billion dollars announced by the government in August 2019 in order to mitigate the impacts of CETA and the CPTPP during the seven remaining years, and include the total credits for the compensation amount in the 2020 budget;
- **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