

# Alberta's dairy farmers say supply management not a threat to Canada-EU beef deal

BY AMANDA STEPHENSON, CALGARY HERALD MAY 28, 2013

CALGARY - Dairy farmers in the province where beef is king say they don't believe their heavily protected industry is a threat to a prospective free trade deal that could mean improved access to the European Union for Alberta's beef producers.

"We're not trying at all to block anyone else from getting the access they need," said Mike Southwood, general manager of Alberta Milk, which represents Alberta's 585 licensed dairy producers. "It's frustrating, because we really hate to see farmer pitted against farmer, sector against sector."

Nevertheless, a "dairy versus beef" argument is exactly what has emerged from trade negotiations between Canada and the EU, which have been ongoing since 2009. Earlier this month, the EU's ambassador to Canada identified agriculture as one of the last major sticking points preventing the signing of a deal. The Canadian beef industry has long hoped any agreement signed would allow for increased quotas of Canadian beef imports in Europe, but EU Ambassador Matthias Brinkmann said that won't happen unless Canada increases the level of EU access into Canada's supply managed dairy sector.

"There has to be a certain give and take," Brinkman told reporters in early May. "It's about time we get better access."

Canada has had a supply management system in place for its dairy sector since the early 1970s. Not only does Canada apply high tariffs to the majority of imported dairy products, but Canadian dairy production operates on a quota system. Any farmer wishing to produce milk must have a quota, and quotas aren't cheap — in Alberta, they run around \$38,000 for essentially one dairy cow. By controlling the number of quotas available, the Canadian Dairy

Commission controls the amount of milk produced.

Southwood said he believes the EU is only using Canada's dairy sector as a negotiating tactic, and said he doesn't believe supply management will have an effect in the end on any deal that may be reached. He said Canada's system is necessary because milk is a perishable product. In the days before supply management, he said, producers would often have fresh milk and no-one to sell it to. Under supply management, there are no dairy shortages or issues with oversupply. and milk prices — set first nationally by the Canadian Dairy Commission and then again by provincial boards — are based on the cost of production. While critics say supply management inflates the price of milk (for example, Canadian dairy prices are often 150 to 200 per cent higher than dairy prices in the U.S.) Southwood said it's not that simple. He said while the U.S. has a deregulated dairy system, it subsidizes its farmers while Canada does not.

“The consumer in Canada has a choice. They can say, ‘This price is too high, I’m not going to pay it.’ But at least they’re not paying it through their tax dollars,” he said.

The Canada-EU trade negotiations, as well as the ongoing Trans-Pacific Partnership trade talks, have reignited the dairy debate on newspaper op-ed pages as well as within the political sphere. Martha Hall Findlay, executive fellow at the University of Calgary's School of Public Policy and a former candidate for the federal Liberal leadership, has been vocal in her stance that supply management in the dairy sector is a handicap for Canadian trade negotiators.

“Even if we sign a trade deal with Europe, we will have given them more than we need to, because we do have this problem. Our trade negotiators have to deal with it every time,” Hall Findlay said. “It is a gross subsidization of our agricultural sector.”

Hall Findlay said she'd like Canada to follow the Australian example. A decade ago, Australia chose to dismantle its supply management system. But rather than leave its dairy farmers at the mercy of industry uncertainty and possible price swings, the Australian government imposed a temporary 11 cent tax per litre of milk to build up a fund to compensate farmers and assist them with the transition

to an open market.

However, Colin Busby, senior policy analyst with the C.D. Howe Institute, said that's not likely to ever happen — in part because most politicians don't want to get on the bad side of the dairy lobby in Ontario and Quebec.

“The debate around dairy farming and what to do with the dairy sector in Canada is very, very fragmented,” Busby said. “You have those who say it's working perfectly and you have those who say it needs to be abolished. There's a political deadlock surrounding it as well.”

More politically feasible, Busby said, would be for the government to impose a cap on growth of Canadian milk prices. That would address consumer concerns while at the same time encourage efficiency in the dairy sector.

Klaas Vanderveen — a dairy farmer in Picture Butte, Alberta — said he doesn't believe the government will ever eliminate supply management entirely, but he acknowledged smaller changes may be necessary. Earlier this spring, for example, the Canadian Dairy Commission changed the rules it uses to classify mozzarella cheese, essentially exempting it from the supply management pricing system and cutting the costs for pizza restaurants. The changes are expected to take effect June 1.

“Among farmers in Alberta and Canada, I don't think there's anyone who would want to get rid of what we have,” he said. “But everything evolves, and I think it's the same in our industry. Sometimes you like it and sometimes you don't really like it, but if you want

to keep what you have, sometimes a person needs to make compromises.”