

Let go of our dairy and poultry protectionism

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Last week's decision by a federal panel on internal trade regarding dairy products is the first breach in the protectionism in the dairy and poultry industries that has cost Canadian consumers heavily over the past decades.

It's past time that such protectionism should go. The consumer has long paid much more than necessary for butter, cheese, milk and eggs. Another even more debilitating price is now being paid. Our traditional commitment to liberalized global trade is increasingly looked on by our trading partners as hypocritical in light of our continuation of our own protectionism. The final nail in whatever lingering reputation for leadership in trade liberalization Canada might still have was driven by the astonishing resolution of the House of Commons requiring our negotiators in the World Trade Organization to do nothing that would affect our freedom to persist in our purblind supply management.

The irony is that our particular form of protection increasingly works against the long-term interests of farmers themselves. The producer agencies, as well as the federal and provincial governments, spend remarkable amounts of time and energy trying to make the ever more complex exclusionary system work for the benefit not of consumers but of larger farms. Their time would be better spent in devising ways to assist farmers to adapt to the more open markets that will surely come if Canada would participate in further international trade liberalization.

As Australia and New Zealand have found, only by starting to adapt to the opportunities in Europe as well as developing countries will the producers equip themselves to succeed in a more liberal trading world. Innovation leading to greater productivity is, as always, the victim of sterile protectionism. One of the many boons of free trade is that it encourages those domestic measures that must be undertaken to complete internationally. Conversely, it reduces or even eliminates Canada's ability to win greater international market access for other farm products, especially meat and grains.

Originally conceived as a way in which family farms could be protected from lower cost imports, supply management has become a public policy gone seriously wrong. Consumers across Canada pay as much as two or three times the true market price for milk, eggs and other dairy and poultry products. At the same time, the government, in continuing to defend the indefensible, can no longer pursue a coherent, logical and liberal policy in international trade negotiations that would also benefit consumers as well as other farmers. Canada is, in the words of the C.D. Howe Institute, caught in "the trap of agricultural supply management." What's especially galling is that the trap is of our own devising.

Why consumers haven't demanded that government explain why they should pay more for basic foodstuffs passes all understanding. Perhaps part of the answer is that the phrase "supply management" has a vaguely benign ring to it, certainly better than the dreaded word "protectionism." But supply management remains protectionism by another name. For four decades, governments have limited dairy and poultry production and restricted imports, thereby creating the circumstances whereby Canadian retail prices are higher than those of the free market of Australia and even the partly protected market of the United States, as the Conference Board, the C.D. Howe Institute and others have repeatedly demonstrated.

However good the original intentions of four decades ago, the benefits

of such ill-conceived protectionism now flow to designated farmers, mainly in rural Quebec and eastern Ontario, at the expense of consumers across the country. In effect, the future of supply management is a political question, not one of economic theory or academic debate. It is simply this: The farmers who benefit most from the protectionist regime are concentrated in rural constituencies where each vote has more political clout than in more densely populated urban ridings. Those rural ridings have been assiduously courted by Liberals and Conservatives alike (despite the fact that, in Quebec, they've generally voted Bloc Québécois). As a result, Canada has become irrelevant in international trade negotiations.

The way out of this political cul-de-sac is for the two major political parties to agree on a program to phase out supply management. In doing so, both should place priority where it belongs: the interests of consumers. Stranger things have happened.

Both Australia and New Zealand have shown how phasing out can be done fairly and effectively. One way would be to gradually expand the supply of agricultural production quotas over a decade or more, coupled with the immediate elimination of direct price administration. Some of the current beneficiaries of supply management who control the system will argue that any phasing out will involve major costs in compensation to dairy and poultry farmers. In fact, some farmers will be shown as capable of competing effectively in open markets, meriting little or no compensation. In any event, two facts remain: However great the cost of phasing out, it would be much less than the savings to the consumer of lower food prices; and with each year that passes, the cost of phasing out will only increase.

We should delay no longer, before all Canadians pay an even higher price in international trade negotiations and, at home, unnecessarily higher prices for their basic foods.

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