COALITION FOR A FAIR FARMING MODEL, SUPPLY MANAGEMENT

STRONG AND UNITED FOR SUPPLY MANAGEMENT

FREQUENTLY ASKED QUESTIONS

Q. By signing a Trans-Pacific Partnership (TPP) agreement, doesn't Canada have an opportunity to gain access to the lucrative Asian market?

- We agree with Canada's participation in the Trans-Pacific Partnership (TPP), but we are convinced that it is possible to reach an agreement and still keep supply management fully intact. Canada has already signed 12 free trade agreements and maintained supply management. All countries, including the United States and the other TPP participants, have sensitive sectors they need to protect.
- Without downplaying the importance of the TPP, we must put it into perspective. The 12 countries currently negotiating the TPP have a total population of around 800 million people and a GDP of $28,000 billion ($28 trillion). Canada already has free trade agreements in force with four of these countries: the United States, Mexico, Peru and Chili. We are also currently in negotiations with Japan, the largest economy in the TPP zone after the United States. That means we already have free access to 521 million consumers (65% of the total) in the countries that generate $20.3 trillion of GDP (73% of the total). When the agreement now being negotiated with Japan is signed, we will have free access to over 81% of the consumers and 91% of the total GDP of the TPP countries.
- The Fraser Institute has estimated the potential TPP gains for Canada at a maximum of 0.5% of total GDP, i.e. around $9 billion. That is no small number, but it is also in Canada's interest to protect economic sectors that, in Quebec alone, bring in nearly $8.2 billion annually for the GDP, generate 92,000 jobs and contribute $1.38 billion in tax receipts to government treasuries. In Canada, they contribute over $30 billion to GDP and generate more than 300,000 quality jobs.
- While many point to potential gains in the lucrative Chinese market, all the large dairy exporting countries are targeting that market: Oceania, the United States, and Europe. Yet, according to European Commission experts, in the next decade, the growth of Chinese dairy product imports could go from 16% per year, which it has posted in the last decade, to 3% per year in the upcoming decade, not to mention China's desire to become more self-sufficient.

Q. If producers became more efficient, wouldn't they be able to compete with producers in the U.S. and Oceania?

- Canadian dairy and poultry producers are very efficient in technical terms, but the reality is that they practice agriculture in a northern climate. Canadian milk producers will not be able to compete with the climate of milk producers in Oceania and the United States or the subsidies granted to milk producers in the U.S., which renewed its Farm Bill in 2014 for another ten years with a budget of approximately USD$1,000 billion. Australia deregulated its dairy sector in 2000. Since then, it has lost 51% of dairy farms, production has dropped 15% and the value of exports has fallen by 13%. This is not a success story that we should draw inspiration from.

Q. The Canadian dairy and poultry market is very closed; how can we hope to sign trade agreements and continue to have a closed market?

- Canada has signed 12 free trade agreements, including NAFTA. Supply management was defended throughout the negotiations without harming the agreements, since all countries have sensitive sectors they want to protect.
- We are the largest importers of agricultural and food products per capita in the world. We import 8% to 10% of our dairy and poultry product needs. The U.S. imports less than 3% of its dairy product needs. In fact, our market is much more open than those of our competitors.
- The U.S. always wants more. Since NAFTA came into force in 1994, total U.S. dairy product exports to Canada have risen 408% in tonnage, reaching 153,763 tonnes in 2014, and are valued at nearly $400 million. These products from the U.S. account for 78% of all imported dairy products in Canada.
- At the same time, the total value of imported U.S. poultry products in Canada comes to $717 million. Not to mention U.S. egg imports in the Canadian market, which account for 30% of the total eggs exported by the U.S. in the world, they are valued at nearly $100 million. When it comes to hatching eggs, the United States holds 20% of our market, worth $44 million.

Q. Won't consumers win when there is more competition for products under supply management?

- There is no guarantee that the price of dairy and poultry products will be lower without supply management, quite the opposite. For instance, retail prices for Canadian dairy products are comparable to prices in other countries. According to data from The Nielsen Company, the average price of a litre of milk in 2014 was $1.30 in Canada, compared to $1.83 in New Zealand, $1.81 in France, $1.15 in the United States, $1.19 in Germany and $2.35 in China. New Zealand is the country with the lowest farm-gate price in the world, and yet, the retail price is higher there than it is here.
- While it is true that the prices of products under supply management are different in Canada than in the United States, this is also the case for most consumer goods. In 2013, the senate committee report on the Canada-USA price gap found a 23% difference on average in favour of the United States when comparing the retail prices of all consumer products in the two countries.
- In December, the federal government indicated that it wanted to give new powers to the Competition Bureau so that it can investigate price gaps for products sold in Canada and the United States. At that time, the government provided several examples of gaps in sectors other than those under supply management: The retail price of a 1.5-litre bottle of shampoo is around 30% higher in Canada than in the United States; the price of a 46-inch LED television is 13% higher in Canada; we pay nearly double in Canada for an 81-milligram bottle of aspirin; as for running shoes, they are lot less expensive in Buffalo, New York than at the Eaton Centre in Toronto.
- Many factors other than supply management explain the price gaps: market size and the concentration of the distribution and retail sectors, population density, tax systems, etc.

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