

**THE RECENT HISTORY OF CANADIAN  
AGRICULTURE - HOW WE GOT HERE  
FROM THERE:**

**Thoughts on Supply Management, Marketing  
Boards, Trade Negotiations and the Trans-  
Pacific Partnership**

UNIVERSITY OF  
**WATERLOO**

[uwaterloo.ca](http://uwaterloo.ca)

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**Investment  
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# **A whole lot of bad came from the First World War, but also some good ....**



# Government regulation and intervention, for one

- A fair wage policy in 1917 and 1918.
- Government regulation of a wide variety of prices and practices.
- The Board of Grain Supervisors, established 1917, wound up 1918. Canadian Wheat Board implemented in 1919, wound up because of private sector pressure in 1920.
- Still, the principle that government had a role to play in economic regulation was established.

# United Farmers Resurgent! Reflecting Farmer Discontent

**United Farmers of Ontario**

**E.C. Drury**



**United Farmers of Alberta**

**Henry Wise Wood**



# Not all sweetness and light during the Roaring '20s

On the one hand, flappers



But many farmers were not dancing!

For example, milk receipts in Canada were stagnant throughout the 1920s, and they plunged during the 1930s.



# Then Came the Great Depression with all its associated ills ....



**.... Namely, the 4 Horsemen of the Apocalypse  
– War, Famine, Pestilence and Death**





# Collapse on a Grand Scale

In 1928 the average Saskatchewan farmer had an annual net cash income of \$1,614, and Saskatchewan was one of the most prosperous agricultural areas in the world.

By 1933 the average annual farm income in the province had fallen to just \$66! The price of wheat had collapsed – from \$1.05 per bushel in 1929 to about 0.30 per bushel in 1933.

This was played out all over the West and, to a lesser extent, in Ontario, Quebec and the Maritimes.

This was also the fate of agriculture all over the world with farmer incomes plummeting and starvation, one of the 4 horsemen – Famine – riding roughshod across the landscape. A second – War – would soon visit the world.

# Some Cows Didn't Make It – Some Farmers, Too



# War, another of the 4 Horsemen, changed all that!

*Hamilton Spectator*, 16  
November 1939 –

“Farmers should be prepared  
for the big demands of the  
future.”

*Hamilton Spectator*, 14  
October 1942 –

“Canadian Farmers, You Have  
Done Well. Wartime  
Production is Still Growing”

# For Canada, the end of the Second World War Ushered in a New and Prosperous Era



# **Productivism – the new mantra. Hungry no more!**





# **In Pursuit of that Happy Circumstance, Agriculture Is Out of the GATT (Officially), 1955**

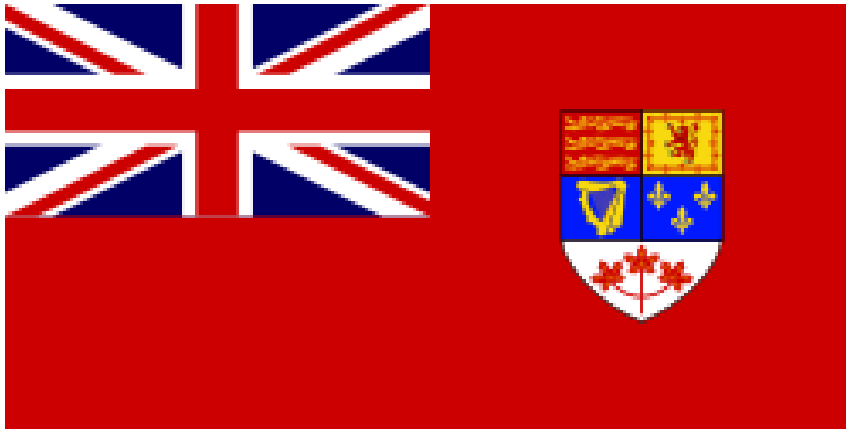
The US got its waiver in the 1955 meetings in Geneva, supported by the Germans, Austrians, and the French

Agriculture was, more or less, removed from consideration at tariff reduction meetings until the Agreement on Agriculture (1995) that came out of the Uruguay round negotiations.

Agriculture last in to GATT, and will be the first out.

# And it was a resurgent Canada that roared into 1950s and 1960s

**The Old Canada**

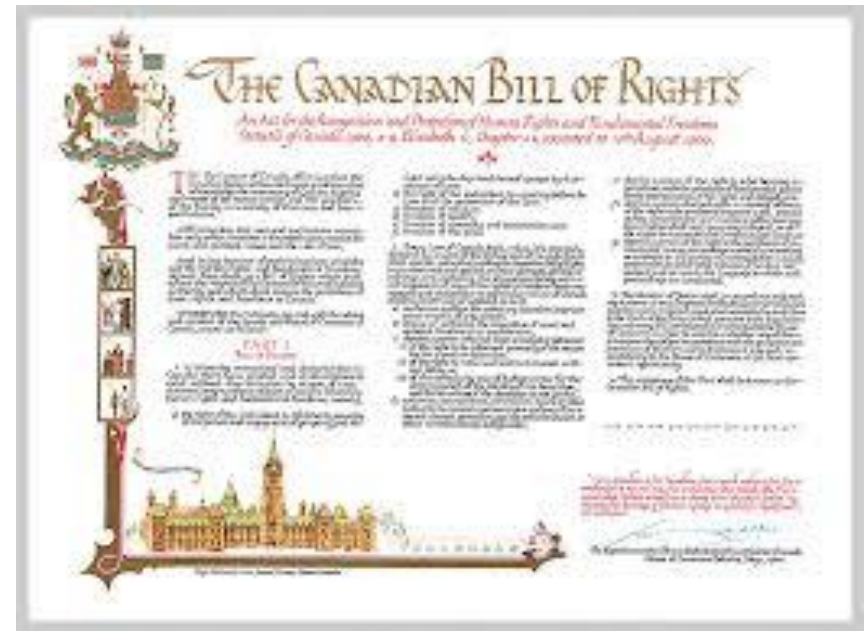


**The New Canada**



# The Canadian response to changed post-Second World War conditions....

“Equality,” or a more level playing field for all citizens, becomes the password into the new society.



# ....and other things

New flag

Canada Pension Plan

Supply management reflected  
this reformist zeal.

Canada Health Act

New Immigration Act

# Farmers are now involved in the process

Indeed, supply management becomes one of those avenues of expressing discontent with the prevailing reality.



# The Situation with dairy and with almost all agricultural commodities

Why supply management?

Agriculture as practiced in Canada was not on a level playing field with those who bought and marketed goods from the farmer. The story was the same everywhere – the (very low) farm gate price was set by business, while that sector charged what the market would bear as it sold the processed results, always at rates much higher than those paid to the people who produced it. (Pig farmers in 2012?) These inequities and disparities in the relative influence of agribusiness as opposed to farmers resulted in the latter “rebellious” in certain ways.

# Ontario Milk Act, 1965

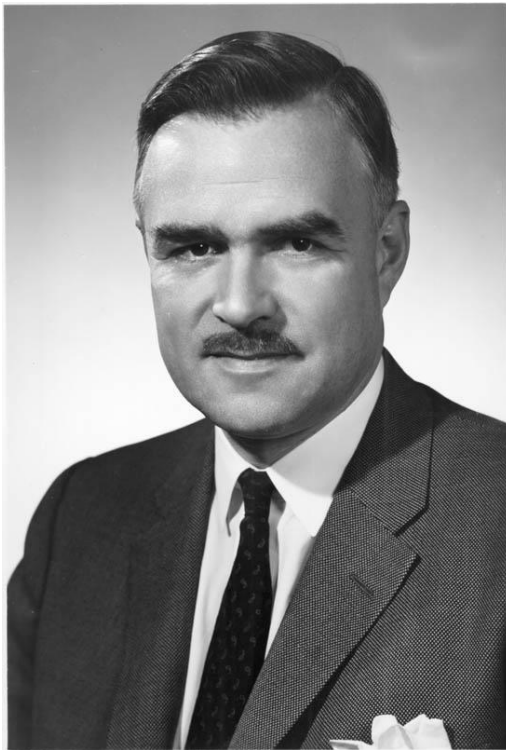
What to do? Activist governments got involved.

Ontario established the 1963 Royal Commission Inquiry into the Milk Industry. The *Milk Act* (1965) followed on from this, which established the Ontario Milk Marketing Board. Farmers now sold to the Board.

The Canadian Dairy Commission was established in 1966, which was comprised of federal appointees. In 1971, dairy supply management extended across the country.

# These leaders were instrumental in implementing supply management

**John Robarts, Premier of Ontario, 1961-71**

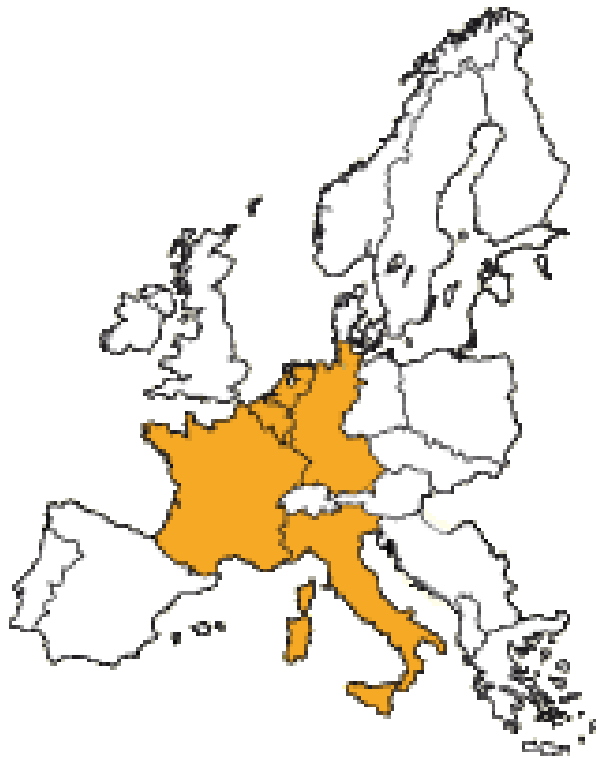


**Pierre Trudeau, Prime Minister of Canada, 1968-79; 1980-84**



# The European Response to issues in agriculture?

**1957 – The EEC**



**The Common Agricultural Policy**

**1962. A crazy policy!**



# European productivism will banish hunger forever!

And it did!

Butter mountains and wine lakes, to say nothing of milk oceans.

So expensive that Sicco Mansholt, EEC Agricultural Commissioner, wanted to fundamentally change it, announcing a “plan” in 1968.



# History Lesson is Now Over

For the remainder of my presentation, I will talk about the extra-terrestrial challenges to certain elements of Canadian agriculture as emanating from the WTO and OECD (and New Zealand), the CETA, the Trans-Pacific Partnership and a neo-liberal world more generally.

I use “extra-terrestrial” on purpose.

# What do they all think of supply management?



# Turkey or Chicken? To Be Followed by a Milk Cocktail?



"Despite our differences, it's good to see we can come together over dinner."

# Why is supply management such a target?







**But is the “free” market, as interpreted by the WTO  
and the OECD, really free?**





# Or is it Interpretation? Does asserting something often enough make it so?



Despite the rhetoric, it would seem that the US is not interested in really free trade, especially in agricultural products:

“Trade barriers are arguably the most important feature of US dairy policy.”

# The EU can legally provide US\$9.6 billion annually in export subsidies to farmers



And that doesn't sound too much like free trade!

# Nor does it sound like it to others

“Subsidies negatively impact consumers everywhere. In the U.S., DEIP [the Dairy Export Incentive Program] means American families pay higher taxes to support subsidized dairy farmers, wiping out any savings they might enjoy from lower dairy prices. As in other countries, subsidies effectively shield farmers from true competition. Higher prices always result, and this price increase is passed straight onto consumers. There's nothing inherently ‘fair’ about any form of subsidy.”

Don Nicolson, *Wall Street Journal*, 8 June 2009

**“Free” trade is not necessarily free, or even the most reasonable way to achieve growth – Adam Smith, who invented the term in the 1770s, would probably agree.**

As the Stettler, Alberta *Independent*, a local newspaper in that province, noted, the “free” market referred to by its advocates “would be the same system that has off and on impoverished farmers and ranchers of other commodities on a roller coast ride of prices. It has also hatched a never-ending litany of government support programs designed to bail out producers with taxpayer’s money from the tyranny of the free market.”

# So, what is supply management's problem?

It rejects neo-liberalism as perpetrated by the OECD and the WTO and applauds the strict regulation of supply to meet demand – a very sensible, rational, and managed approach for *some* agricultural commodities. Certainly not all, but some.

Centre William Rappard



# Which leads us to NZ, which leads on to the Trans Pacific Partnership

**NZ is, in some ways, the face  
of the TPP**

**How do you spell “single-  
minded?”**

Why should Canadians care  
about NZ?

Because it is a dairy  
imperialist.

And because of its outsized  
position in the TPP.





# The Prime Directive

## Access to Unfettered Markets is NZ's Objective

NZ is dead set on global free trade in dairy products. As Tim Fulton, editor of NZ Farmers Weekly, notes "It is pivotal to New Zealand's prospects to basically have a free trade environment that involves America, that involves Europe, so that we can maintain our stable dairy market commodity prices."

And what's good for the cow,  
could be good for everything.

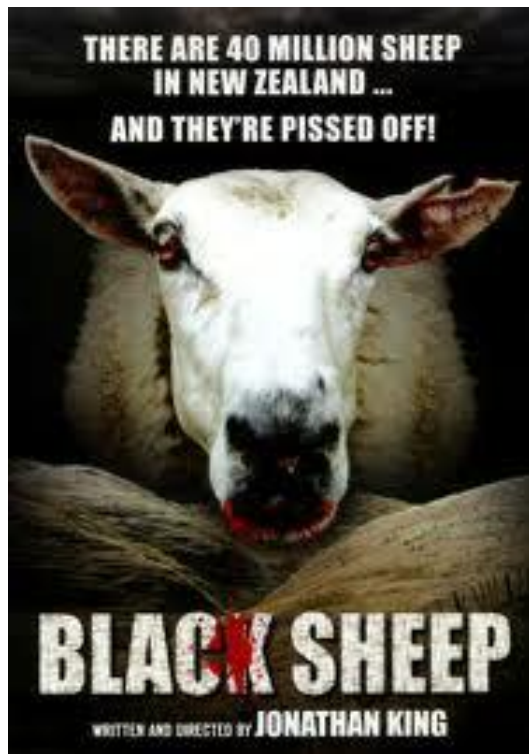
THE NEW ZEALAND  
**Farmers Weekly**

# How to Characterize NZ?

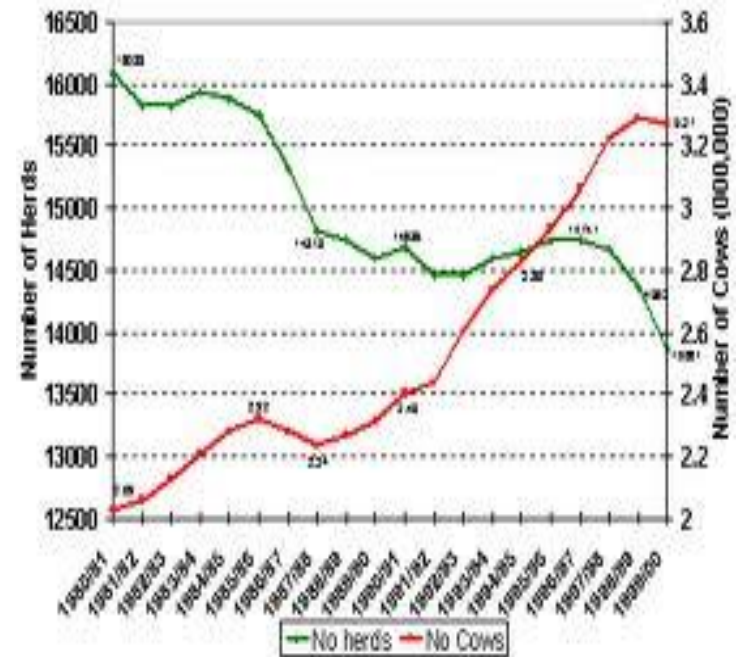
- A colonial “farm in the South Pacific.”
- Exports over 90 percent of food produced.
- Crisis of farm income after loss of privileged access to the UK market over period from 1973 to 1978.
- Strong national adoption of neoliberal policy in 1984.
- Removal of subsidies for agriculture.
- Significant crisis for agricultural livelihoods during the restructuring period (1985-1992).
- A range of confounding outcomes.

# Which will it be, post-1984?

## Sheep



## Cows



**Cows win! Why – That is part of the “confounding outcome” because ....**



**.... dairy *did not* de-regulate as proponents of  
NZ dairy would have you believe.**

Different industries took very different trajectories.

The industries that *most closely followed* neoliberal economic theory and fully deregulated did not do particularly well.

The industries that *fought to retain* cooperative structures, market access arrangements and coordinated industry strategies did much better.

# Fonterra, come on down!



**Dairy for life**

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**Originally the NZ Dairy Board – strong negative impact of loss of market access to the UK in 1973.**

**Restructured from a monopoly exporting Producer Board during the 1980s and 1990s.**

**Highly contested process. Dairy farmers fought deregulation and politically manoeuvred to create a ‘mega-cooperative’ by amalgamating the existing co-op structure of the NZ industry.**

**Fonterra emerged as the final amalgamated form of multiple mergers and its creation by Act of Government in 2001 signaled a historic compromise between the forces of deregulation and the politics of cooperation. It has been SPECTACULARLY successful.**



# And Fonterra doesn't like supply management. Not now, not ever.

Andrew Ferrier, former Fonterra CEO, and Canadian, says:

**So [Canadians] are missing out on this great global dairy market?**

I do think there are far more opportunities for Canadian dairy farmers, but they will have to reform in time if they want to take advantage of them. You can't protect your market at home and then talk in terms of "I want to go and start selling to the rest of the world."

**Are [you] talking of the limitations of supply management?**

Yes. The reason New Zealand farmers are doing so well is that all safety nets were taken away from them 30 years ago. At that time it was either sink or swim – either the industry imploded or the farmers hunkered down and figured out a way to farm that was far more efficient. That is ultimately what they did in a huge way. **[This is not exactly true, but what the heck ...]**

Kiwi farmers showed resilience – and the prize now is enormous because they are the most efficient dairy producers in the world. And, yes, Mother Nature helps. You don't have to have your cows indoors in winter and they can eat pasture grass year-round. But, still, what [the end of safety nets] has bred is a couple of generations of farmers who are real business people.

# Why has Fonterra succeeded, aside from NOT de-regulating?

Eliminating (nearly) all competition in the NZ supply base for raw dairy product and using this secure base to launch a very successful internationalization strategy.

Marry your enemies' children. Joint ventures with all the world's largest dairy corporations.

Hugely successful innovation in the supply chain and manufacturing process.

Using size, capture of specific supply chain expertise, joint ventures, indispensability in key product networks (and not having to worry about competition for raw milk) to control 32 percent of cross-border trade in dairy products.

Farmers are the shareholders and the combination of milk payouts and shareholder dividends have unleashed a “white gold rush” in New Zealand.

# Which then brings us to the TPP



# What is the Trans Pacific Partnership

## TPP Wannabes

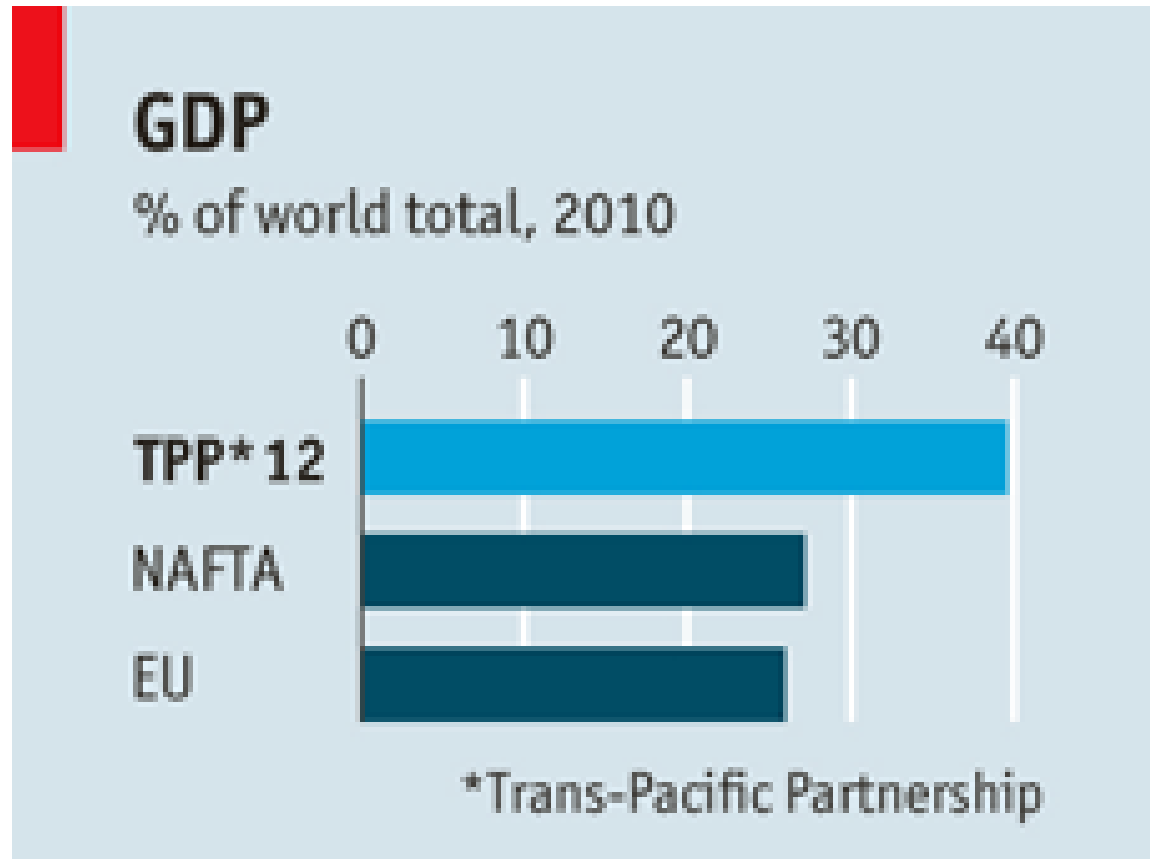
Australia, Japan (maybe – but even if it does negotiate, nothing will result), Malaysia, Peru, United States (which will not get rid of its ag subsidies and protected markets), and Vietnam.

## 4 Original members

Brunei, Chile New Zealand, Singapore.

Canada wants in. Why?

**This is what counts, or at least this is what other countries perceive counts.**



# **NZ has impeded our entry into the TPP**

Why?

Because of supply management in dairy.

The milk superpower wants another notch in its belt as it carpet bombs Canada with milk, butter and cheese. Remember the Prime Directive?



**However, as of 9 October 2012, we are in the TPP negotiations, perhaps with consequences for supply managed commodities. Time will tell. Very early days yet!**



# Now what about the CETA?



This agreement is pushed by the Canada-Europe Roundtable for Business, with membership that is remarkable for its reflection of big business and foreign ownership.

I don't necessarily say that this is bad, merely that it is a fact.

# The Comprehensive Economic and Trade Agreement – A Who's Who

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# The CETA

As with the TPP, the EU also wants access to Canada's agricultural markets, like dairy, admittedly along with many others. It is couched in the language of greater efficiency and is presented as a win-win, but who knows how it will play out? Perhaps it is to flood us with their dairy product and bury us with their cheese. After all, the EU re-imposed dairy export subsidies in January 2009 – it has a lot of that stuff to get rid of, and developing world markets can only take so much! One small tweak of that regime, and *Canadian* dairy could well be very adversely affected.

# For example, German farmers, at least, have lots of excess milk to get rid of.



In 2011, German dairy cows churned out 29.3 million tonnes of milk – the most ever produced. This is a development that has “put the dairy industry under pressure,” said Hans Foldenauer, spokesperson for the German Federal Dairy Farmers Association. There are no markets for it.

# German farmers are hurting.

Milk prices are sliding in Germany as discount supermarkets have cut the price of fluid milk by 6 percent, and that of a block of butter by 14 percent. With CETA, will that mean German dairy will make the trip to Canada? That is unclear. One thing is clear, however, and that is that “the irresponsible price battles of discount supermarkets are ruining Germany’s farms and rural areas.” We don’t have those issues in Canada. At least not yet. I’m not sure we want them.

--Alexander Bonde, head of the *AgrarMinisterKonferenz*, which represents industry as well as state and federal agriculture ministries.



## CETA is not yet finished

As Micheal Geist, a U of Ottawa Law prof, has noted in his blog:

“The [CETA] negotiators identified several additional issues that will ultimately require political intervention: rules of origin for cars, agriculture issues including beef, pork, **dairy**, and fish, government procurement, as well as services. The objective remains to conclude the deal by the end of the year.”



# Another European Trojan horse?

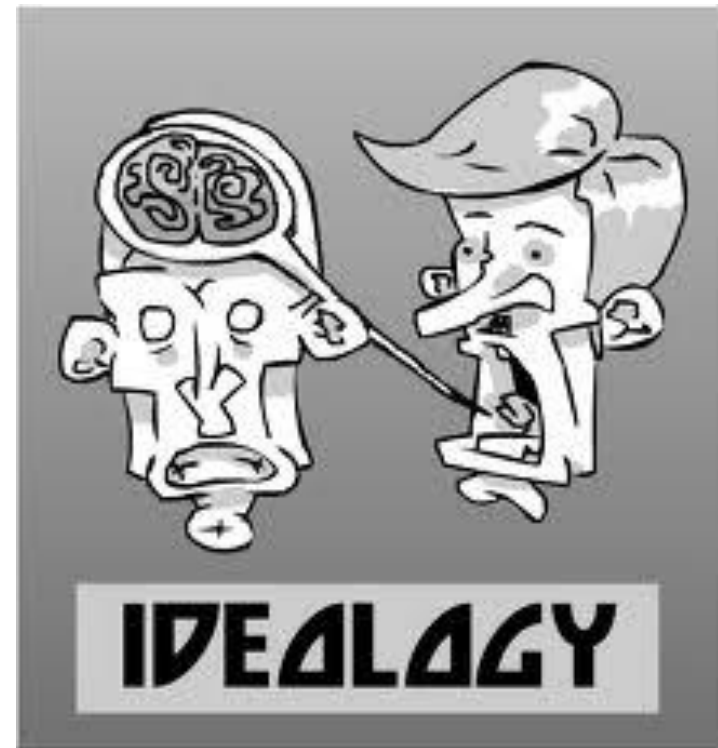


# How is the uncertainty of potential CETA agricultural provisions of any benefit to Canada and Canadian farmers?

## How do you spell hypocrisy?

Britain's *Guardian* newspaper pointed out in 2010 that "Multimillion euro payments were ... made to some of the largest dairy companies in Europe." Going beyond this, it turns out that Germany has 268 agricultural subsidy millionaires, while a further 174 live in France. The UK has a number of prominent ones, including Queen Elizabeth and Prince Charles!

## Remember Ideology?

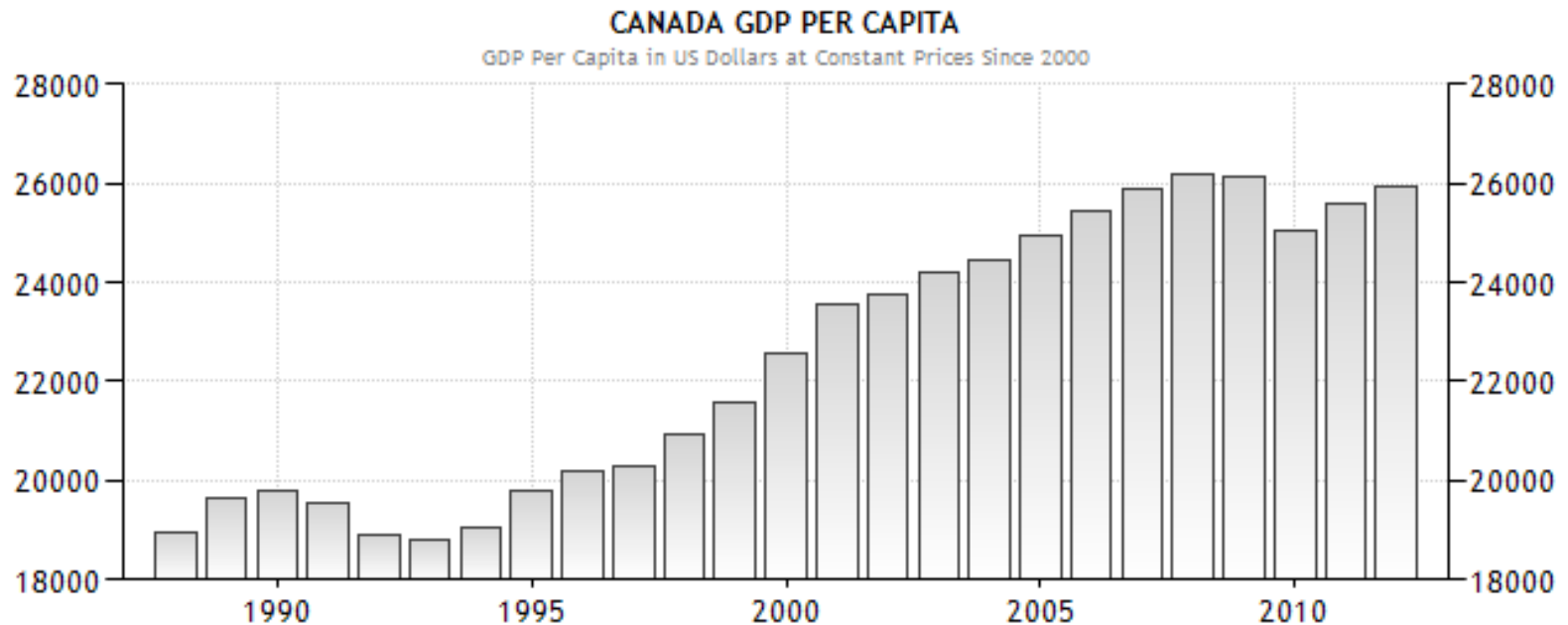


**In the business press, and among most Western governments, free trade is generally perceived to be good.**



I don't like the term "free trade." It occupies the high ground, and it means that all other trade is not free – imprisoned or tied up behind walls and other impediments.

# Free trade deals certainly help a country's GDP...



SOURCE: WWW.TRADINGECONOMICS.COM | WORLD BANK

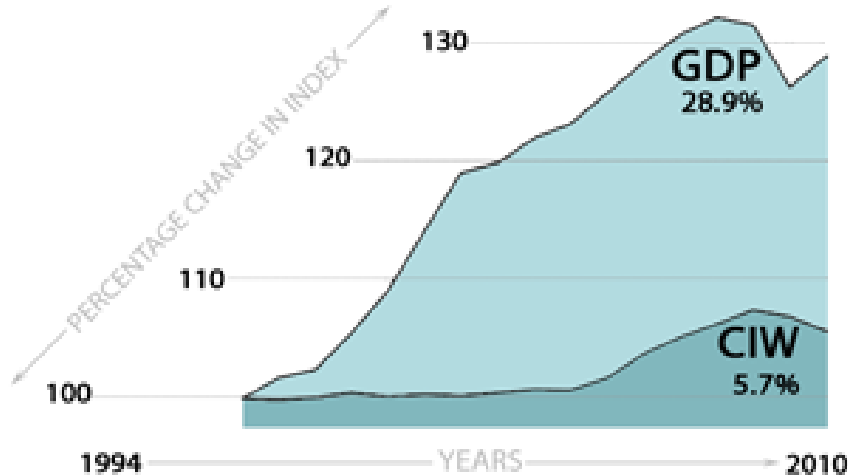
# What about the average citizen?

The verdict is mixed.





# The Canadian Index of Well-Being says we don't feel better off



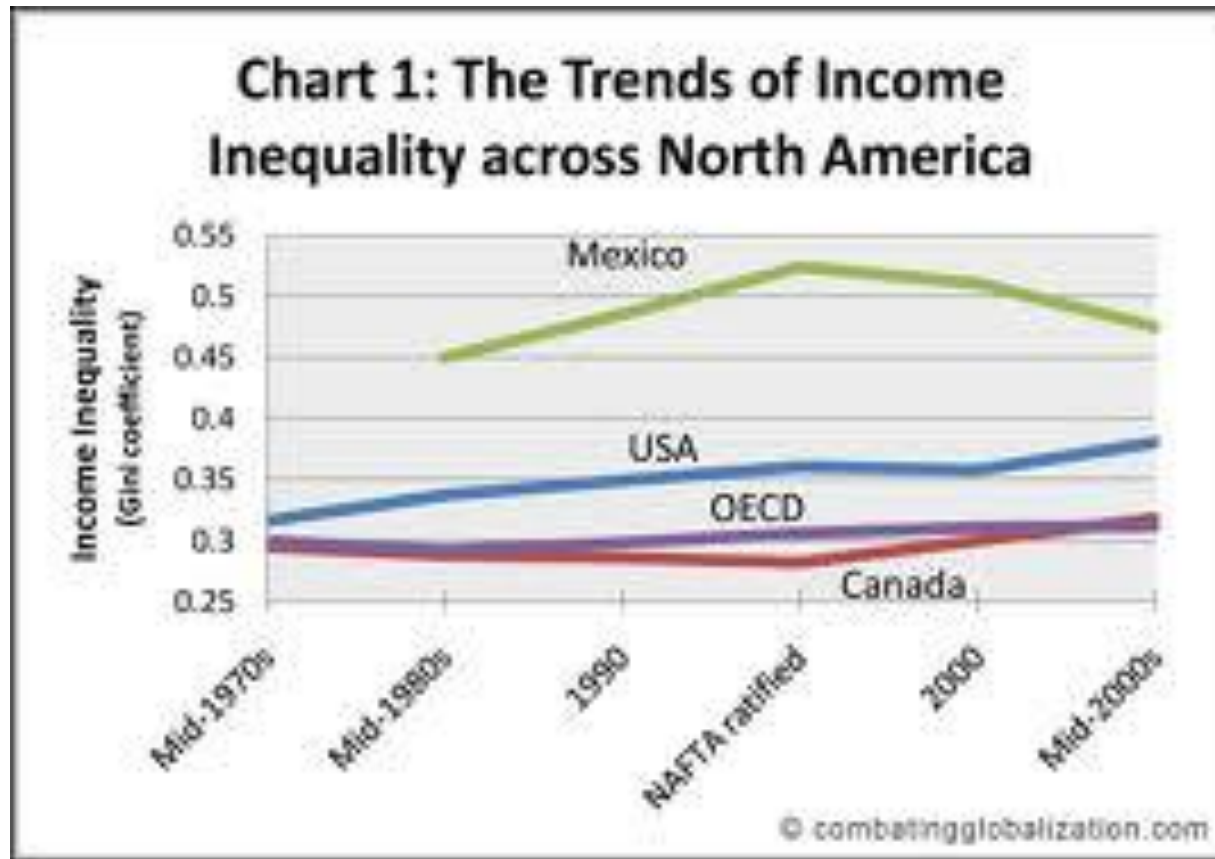
The CIW report: *‘How are Canadians Really doing?’* tracks 64 separate indicators within eight interconnected domains central to the lives of Canadians: *Community Vitality; Democratic Engagement; Education; Environment; Healthy Populations; Leisure and Culture; Living Standards; and Time Use.*

# **Do free trade agreements always mean enhanced prosperity?**

My point is that we have, in absolute numbers, the highest GDP Canada has ever had – about \$1.6 trillion – yet we are experiencing increasing inequality, and rising rates of poverty and angst among the Canadian population.

Free trade does contribute, as noted a few slides ago, to increasing GDP. But if that increase is not widely spread, what is the point?

# Inequality grows as free trade agreements increase



# Given the lure of lower prices, then, is Canadian dairy deficient in any way?

Not with respect to productivity:

In Ontario and BC, farm numbers have fallen by more than 84 percent over the period from 1970 to 2000 and the provincial dairy herds has been cut in half. That is mirrored in every other Canadian provinces.

Over that time, the volume of milk produced per farm has *increased*, in the Ontario case by 515 percent and the overall volume of milk is down by only two percent!

# Not competitive on price? Canadian dairy farmers are MORE than competitive!

## Canada

Price of 4 litres in Ontario – CAN\$4.29, which equals c. CAN\$1.07 per litre.

**IMF estimates GDP per capita at US\$51,000.**

## New Zealand

Price of 2 litres – CAN\$3.60, which equals CAN\$1.80 per litre. And the NZ cost of living is about 20% higher than Canada's.

Is milk becoming a luxury product in NZ? It is according to many consumers.

**IMF estimates GDP per capita at US\$38,000.**

## And in the US?

John Winter, in a later slide I have, notes that Canadians flock like snowbirds across the border to Bellingham, Washington, to buy cheap milk. However, is milk all that much cheaper? According to the Bureau of Labor Statistics, a gallon of milk in September 2012 cost US\$3.51. That is cheaper than what I pay at my local Foodland in Elmira, Ontario, but not that much cheaper. I pay CAN\$4.19 for four litres. Is a drive to Bellingham worth 68 cents?



# But cheap Canadian milk??



And indeed, the cheapest price for milk for the week ending 18 October 2012 was found at Food Basics. It is only \$3.88 for four litres of Lactantia PurFiltre 2%, 1% or Skim milk. This is in Ontario

# An Irony

And if per capita consumption of fluid milk in Canada has fallen over the past two decades because, neo-liberal critics contend, the price is too high, the result of a regulated, supply managed market, it has fallen *less* sharply than in so-called free market countries, like the United States and those of our Antipodean friends. As well, the irony remains that prices have increased the most from 1981 to 2012 “in countries where the dairy industry is least regulated – New Zealand and Australia.”

Check out the *Waikato Times*, 16 February 2011. In that story, 2 litres of milk at the NZ supermarket, Countdown, cost NZ\$4.80, or CAN\$3.98! Fonterra’s then-chief executive Andrew Ferrier is quoted as calling that price “the new normal.” Remember to calculate into this the 20% cost of living differential.

# Critics are Wedded to an Idea

## The Reality



Critics are wedded to an ideological approach that flies in the face of sanity and good governance/management. Supply management in dairy is as relevant now as it was in the early 1970s when it was introduced.

# Farmer Incomes Sustain Rural Communities

As well, farms are not as environmentally damaging, given their size which relates directly to supply management and decent farmer incomes, as they are in other regimes.

Sustainability and resilience, to say nothing of food security – both the security of being able to produce enough for Canadian tables and the security inherent in knowing consumers will not get sick through ingesting it – is a function of supply management.

# Even in Alberta, You Say!

WTO/OECD ideology is the only reason, it seems to me, for considering a return to the 1950s, when “market discipline” was the rage among those who stood most to profit from it. Perhaps it is good to end by reference to a newspaper article from Alberta: “Even in free enterprise Alberta, our own [former] Minister of Agriculture, Jack Hayden, has mused that perhaps supply management is a pretty good time-tested approach. If the never-ending parade of support programs are any indication maybe a back to the future approach is in order. Learning from past successes is generally better than learning from future failures.”

**And what of the future? Who knows, but a (very) few NZ thoughts. Three Doors to choose from, leading to happiness, or not.**

- a) Become the “middle man,” eliminate competition, sell multiple products, for example, “milk + factories” + “supply chain systems.” Fonterra has done this very well.
- b) Increase value of your product, eliminate competitors, invest in product qualities, go green, target direct supply contracts to elite retailers, maintain tight discipline over industry-wide strategies. Zespri kiwifruit does this.
- c) Decrease cost, increase efficiency, increase quantity, undercut each others’ qualities, increase throughput, then lose out to your competitors in non-global north countries. NZ meat and wool have this dubious distinction.



# How to Secure First World Incomes for First World Farmers?

- Neoliberalization in agriculture does not provide a ‘one size fits all’ model for how to succeed as an industry.
- Farming is different, and we do actually want it to stay in global north countries.
- The most ‘classical’ cases of deregulation in NZ – the meat and wool sectors – have been economic disasters.
- The successful cases were politically contested, hard fought compromises (or hybrids) between liberalization and industry cooperation and coordination.
- There are successful models where both farmers and consumers win, like, I would suggest, supply management. Don’t get sucked into the “one size fits all” model where the only winner is the global consumer, and not the producer.

# But appealing to “consumers” is what John Winter does ...

President and CEO of the BC Chamber of Commerce, he is suggesting that dairy industry concerns are not significant in the bigger picture. Supply management schemes are quickly becoming things of the past, or so he believes: “I think what we’re seeing happening in Bellingham [with British Columbians buying dairy products] at the Costco is probably the best example of why they don’t work: the fact [is] that our milk is overpriced and it’s a monopoly, [and] that’s probably not in the best interests of consumers.”

But as I noted in the previous slide, that represents a race to the bottom. Is it in the best interests of society to nickel and dime farmers, almost to death?

Probably not – and to keep them in business, some public subsidy will be necessary. Come on down the EU and the US.

We spend 9.6 percent of our incomes on food in 2012; Americans spend 6.8 percent. This is critical for the consumer goods sector.

# And surely the principle he espouses should be applied in other cases.

## American Gasoline

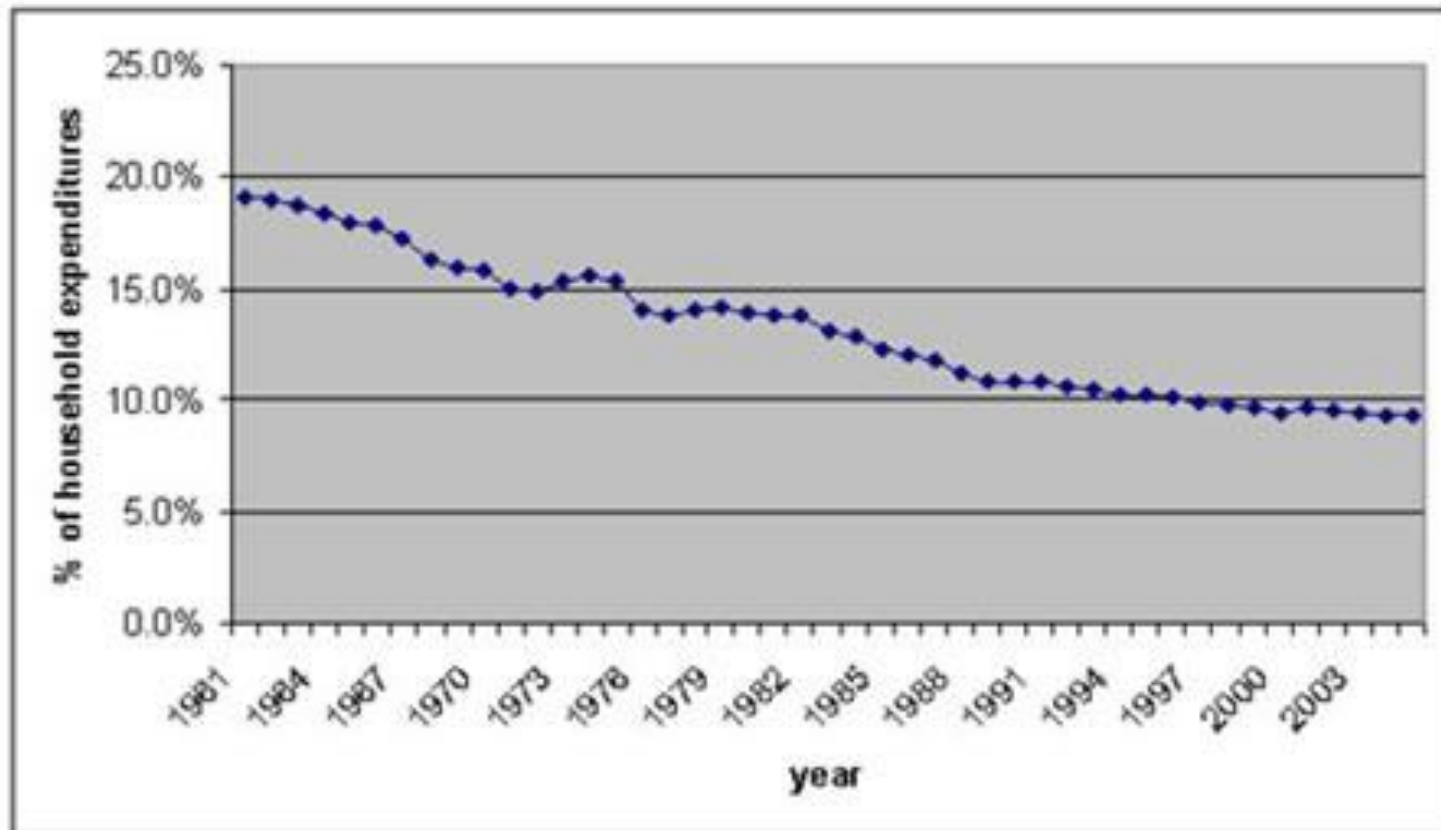
And if business representatives like Mr. Winter talk about milk being overpriced, why not also focus on gasoline? In upstate New York, I bought it last week for US\$4.03 per gallon. That industry is an oligopoly, and it makes billions of dollars every year. Is that in consumer's best interests?

## Canadian Gasoline

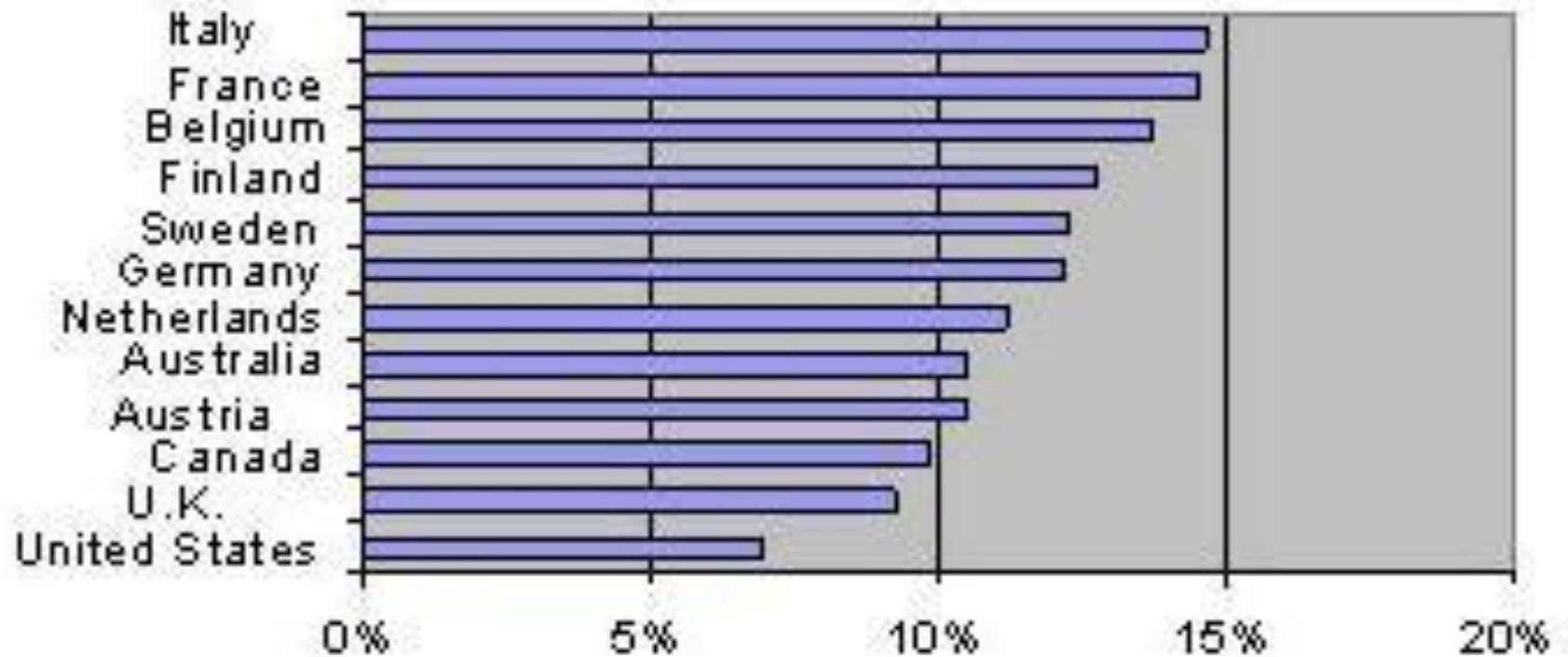
In Elmira, Ontario, I most recently paid CAN\$1.23 per litre, which works out to about \$4.92 per gallon. Surely Mr. Winter should take exception to this!

And what about the cost, as a percentage of Canadians' annual gross income, over the past 50 years?

# Line graph showing decline in percent of income spent on food in Canada, 1961-2003



# Percent of Gross Income Spent on Food, 2003





# The Result?

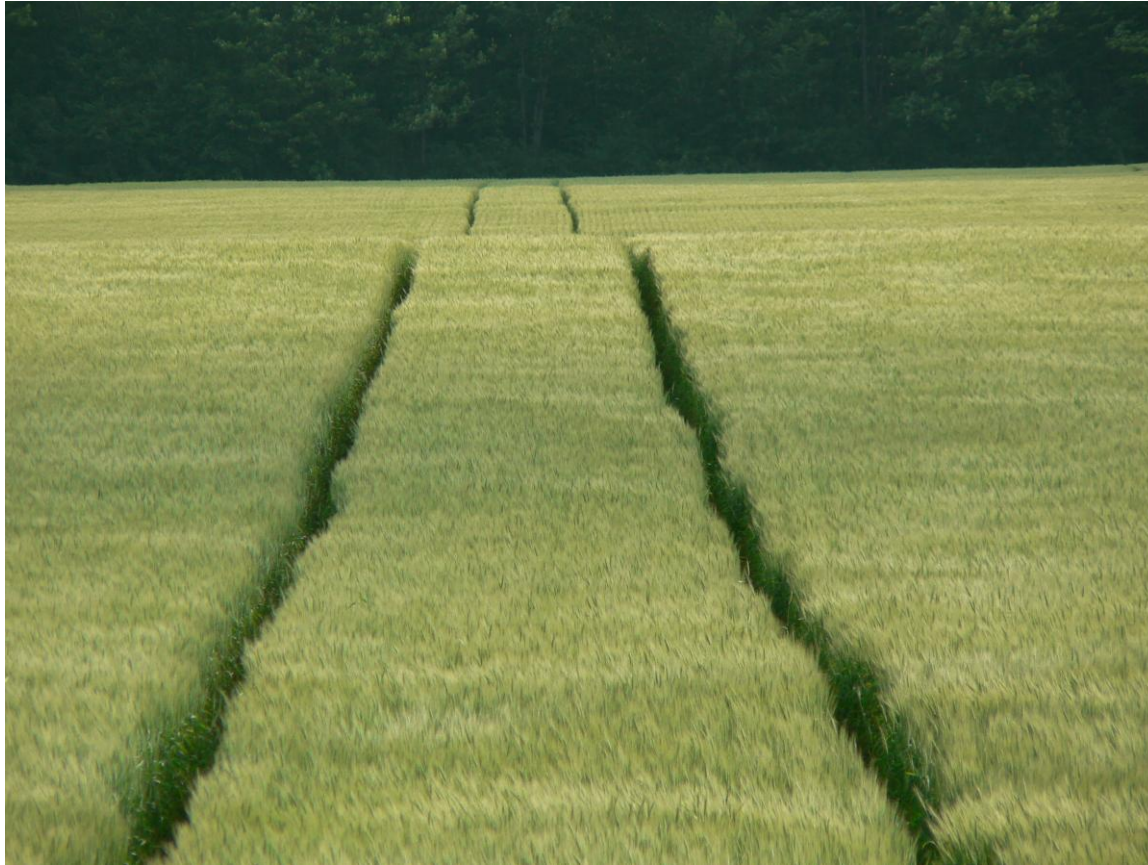
We're spending much less on food, which includes milk, over the past 50 years. This leaves more disposable income to spend on big screen TVs!

Our dairy farmers are not subsidized *at all*, as they are in the EU and the US.

Our milk supply is safe and secure and our farmers are reasonably well recompensed.

And if it comes to Canada buying more food from overseas, which is the implication inherent in *The Economist* headline, supply management, marketing boards and agricultural regulation will stand us in good stead.





**Thank You**

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