The ‘Subsidy Snare’ are Canada’s Farmers Trapped?

April 4th, 2006

by

Rolf Penner
Agricultural Policy Fellow
90% of Canada's farmers export
80% of everything they produce.

The Wild Hogs of Horseshoe Bend
– author unknown
The Wild Hogs of Horseshoe Bend
– author unknown

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What are subsidies?
A large part of farm support comes through price support.

Source: OECD Secretariat.

OECD
The Subsidy Snare
Canada Uses both direct payments & market price supports.

**Direct Payments**
- Grains & Oilseeds
- Beef & Hogs

**Market Price Supports**
-Canada Uses both direct payments & market price supports.

Direct Payments
- Grains & Oilseeds
- Beef & Hogs

Market Price Supports
- Dairy
- Chicken
- Eggs
- Turkey
- Hatching Eggs

Tariffs on Canadian Foods
- 241% on milk
- 246% on cheese
- 299% on butter
- 238% on chicken
- 155% on turkey
- 164% on eggs
The Subsidy Snare

Payments per tonne and tariffs have equivalent effect on producer price

Border price = domestic market price

N.B. For simplicity, marketing margins are not considered in this graph.
Source: OECD Secretariat.
Payments per tonne and tariffs have equivalent effect on producer price

N.B. For simplicity, marketing margins are not considered in this graph.
Source: OECD Secretariat.
Consumer = Taxpayer

Consumer ≠ Taxpayer
Subsidy Dollars

Make sure you’re Comparing Apples to Apples
OECD Countries

- Australia
- Canada
- European Union
- Iceland
- Japan
- Korea
- Mexico
- New Zealand
- Norway
- Switzerland
- Turkey
- United States

19 Year OECD Subsidy Total

$4,788,457,000,000.00 - USD

$ 4.79 Trillion - USD
2004-OECD Total Dollars Transferred

<table>
<thead>
<tr>
<th>Country</th>
<th>Dollars Transferred (USD-mn)</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1,085</td>
</tr>
<tr>
<td>Canada</td>
<td>5,714</td>
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<tr>
<td>European Union</td>
<td>133,386</td>
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<tr>
<td>Iceland</td>
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<td>Norway</td>
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<td>Switzerland</td>
<td>11,635</td>
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<td>Turkey</td>
<td>46,504</td>
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<tr>
<td>United States</td>
<td>2,955</td>
</tr>
</tbody>
</table>

The Subsidy Snare

OECD 2004 OECD Supports as a % of Total Dollars

- European Union: 48%
- United States: 17%
- Japan: 17%
- Korea: 7%
- Iceland: 0%
- Mexico: 2%
- New Zealand: 1%
- Norway: 1%
- Switzerland: 2%
- Turkey: 4%
- Canada: 2%
- Australia: 0%
OECD -2004- PSE's by Country

% of Gross Income

<table>
<thead>
<tr>
<th>Country</th>
<th>PSE's of Gross Income</th>
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<td>Australia</td>
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<td>Canada</td>
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<td>OECD</td>
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</tbody>
</table>

The Subsidy Snare

Rural Renaissance Project

Economic Drag

GOVERNMENT INTERVENTION

Cell: 19
Canada's 19 year Subsidy Total

$94,200,000,000.00 -USD

$94.2 Billion -USD

Source: OECD
The Subsidy Snare

Canada, Historical PSE's

Source: OECD

PSE as % of Gross  Total USD transferred

The Subsidy Snare
Commodity Breakdown of Total 2004 C$mn Spent on Producer Supports in Canada

- Cattle (BSE): 21%
- Dairy: 19%
- Eggs: 2%
- Hogs: 6%
- Poultry: 1%
- Other Oilseeds: 1%
- Barley: 2%
- Canola: 5%
- Soybeans: 3%
- Corn: 4%
- Wheat: 8%
- Other Grains: 2%
- Wheat: 6%
- Dairy: 9%
- Cattle (beef): 29%
- Hogs: 3%
- Poultry and Eggs: 2%
- Misc. Specialty: 14%
- Other's: 2%
- Vegetables: 1%
- Fruits: 3%
- Other Crops: 8%
- Livestock Combo: 2%

Number of Farm Operators by Type of Farm: source-2001 Census

- Grains and Oilseed: 21%
- Wheat: 6%
- Other Oilseeds: 7%
- Other Crops: 8%
- Vegetables: 1%
- Fruits: 3%
- Livestock Combo: 2%
- Misc. Specialty: 14%
- Other's: 2%
- Dairy: 9%
- Cattle (beef): 29%
- Hogs: 3%
- Poultry and Eggs: 2%
Population Breakdown

- Total Population of Canada: 29,914,315
- Total Farm Population: 727,130 (or 2.4%)
- Number of Farm Operators: 346,195 (or 1.2%)
- Number of Supply Managed Farmers: 39,265 (or 0.13%)

- Source: 2001 Census, Statistics Canada
got milk?

got milk?
got tariffs?

got tariffs?
The Subsidy Snare

got milk? got tariffs?

241 %

Rural Renaissance Project

The Subsidy Snare
Elimination of all Supports
- Global yearly net benefit
- 245 billion- 2 trillion dollars
- Half to developing countries
- 70% accruing back to farmers
  - Source: Copenhagen Consensus

Canadian Benefit
- 50-60 billion dollars
  - Source: George Morris Centre, DFAIT

Benefit to Cost ratio
- 20 or 30 to 1 for entire world
- 40 to 1 for developing world
  - Source: Copenhagen Consensus