



Martha Hall Findlay is an entrepreneur, lawyer and politician from Toronto. She is the Chief Legal Officer of EnStream LP (the mobile payments joint venture among Rogers, Bell and TELUS). She is the former Member of Parliament for Willowdale and recently ran for Leadership for the Liberal Party of Canada. As an Executive Fellow with the School of Public Policy at the University of Calgary, she released a paper in support of the abolishment of supply management in the agricultural sector in Canada.

She continues her role in the community with the Couchiching Institute on Public Affairs, and the Georgian Bay Association. She is a past president of the Pointe au Baril Islanders' Association and the Georgian Peaks Club, has recently joined the Board of Alpine Canada Alpin, and she is also a former Board Member for CKUA Radio.

Frontier Centre: What is Supply Management?

Martha Hall Findlay: It's the system of protection of dairy, poultry and eggs in Canada that allows the industry to set prices based on the cost of production plus a certain margin. We then have very high tariff laws, 250-300% to keep foreign product out. So that keeps the prices high. Plus, you can't just start producing milk. You have to acquire quota (currently valued at around \$30,000 per cow) and it's a closed system so you can only acquire quota from somebody else who already has some.

FC: What products fall under supply management in Canada?

MHF: Dairy, poultry and eggs. Poultry includes turkey and eggs include hatching eggs.

FC: One of the primary goals of supply management is to protect family farms. Has the supply management regime achieved that goal?

MHF: The interesting thing is supply management has not only not "protected" the dairy, poultry and egg farms, the rate of consolidation in the supply managed sectors has been in fact higher than in almost all of the ag sectors in Canada. So it's a complete fallacy that it protects the family farm.

All around the world the number of farms has been decreasing dramatically. Part of it is due to technology, being able to farm larger interests. Part of that is just for farmers it's tough. Being a farmer is a lot of hard work and over generations we've seen people moving away from the farm and consolidation of individual farmers taking on others for cost efficiencies for economies to scale.

FC: How does supply management affect consumers?

MHF: The economic analysis to date suggests that the average Canadian family pays well over \$300 more a year for dairy, poultry and eggs than they would otherwise have to. It's effectively a regressive tax. The people who suffer the most are the low income families. Especially those with young kids because a far larger proportion of their family income goes to buying milk, cheese, eggs and chicken.

FC: Canada has long been a large exporter of agricultural products. Has supply management helped or hindered exports of supply managed products?

MHF: It has hindered the export of supply managed products. There's no market for our supply managed products partly because they are so expensive, which is a real problem. There are a lot of people in the dairy industry who are really frustrated. They know they make good milk and really good cheese. We have some of the most amazing artisanal cheeses in this country but we have no export market because they are too expensive. We also have no export market because in our trade negotiations those issues [the products that are supply-managed in Canada] are off limits.

FC: Speaking of trade, how does supply management impact consumers who wish to purchase imported dairy and egg products? I suppose it would be more dairy than eggs?

MHF: Well no, it's eggs and chicken too. Obviously I said in my talk that the BC egg marketing board turns out to be the largest single purchaser of cheap American eggs, which I found rather astounding. But in any case if you live close to the border and like going to drive to do your shopping, then you will be a lot like a lot of Canadians who live near the border and drive across for much cheaper eggs, milk and chicken.

With the new CETA deal we will see a bit more European cheese, but I don't think it will affect the price of that cheese anymore because it's such a small difference. The additional 3.5% that will be allowed in (for a total of 6.5%) is such a small percentage of the Canadian cheese consumption market. I don't know how much increasing that amount will affect the prices, but we'll see.

FC: How does supply management impact our relationship with our international trading partners?

MHF: It's been a thorn in the side for decades. In fact we've seen trade negotiations where they have had to park agricultural discussions to the side. Canada has not been the only one. Historically many countries engaged in subsidization of their agricultural industries. Over the last couple of decades however, that has diminished dramatically in many cases because of those countries wanting to participate in international trade agreements. Canada has done the same in reducing subsidies to our other ag sectors, which we used to subsidize a fair bit too. The one glaring example that remains, and is so strikingly

different now from the rest of the world, is supply management.

FC: Defenders of supply management might claim that the recent free trade agreement with Europe proves that we can have both relatively free trade and supply management. How would you respond to that argument?

MHF: By questioning where we had to give on other issues. In my speech I talked about whenever you show up at a trade negotiating table it is just that – it's a negotiation. When you show up with one hand tied behind your back, which supply management does to us every single time, then you have to give somewhere else. In European negotiations a number of the big issues were subnational infrastructure procurement, autos, beef, interestingly enough, and pharmaceuticals was a really big one. And one just has to question, with supply management, where did we give on some of those other areas? It's a negotiation. How anybody can possibly say that it doesn't affect our trade negotiations doesn't know anything about international trade. We don't have free trade in dairy, poultry and eggs so in order to move the trade agenda forward we have to give somewhere else.

FC: Are there examples of countries that have moved away from supply management successfully?

MHF: The only country that really had supply management the way we had it was Australia. It's a misconception, a lot of people lump New Zealand into that but New Zealand

never had supply management the way we have it. They had significant subsidies for sure -- New Zealand had massive subsidization of all of their agricultural sectors. And New Zealand recognized at a certain point that the percentage of their national budget that went to subsidizing agriculture was so large that they said, "Ee can't compete. This is not right, this is not sustainable." They then made major changes and in effect got rid of their heavy subsidization of all agriculture; dairy was just a part of that, but dairy is a huge business in New Zealand and getting rid of the subsidies has worked extremely well.

Australia had supply management very much like the Canadian arrangement. They had geographical differences, and in some areas of Australia there was a much greater level of fluid milk production as opposed to processed production or milk being used for other purposes. There is a price differential for that. In Australia, in a couple of those regions, it was actually the dairy farmers themselves who started to push to get rid of supply management because they wanted to compete more effectively. That's not the case in Canada and pretty much every dairy farmer, not the ones I've referred to earlier, but the lobby certainly pushes very hard. Australia did dismantle supply management, and they did it in a brilliantly elegant way that used the system to pay for the compensation and transition support that the government provided. By all accounts the Australian dairy industry has been flourishing ever since, including significant increases in its exports.

FC: Thank you very much for your time.