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**CRYING OVER SPILT MILK:
THE HISTORY OF DAIRY SUPPLY
MANAGEMENT AND ITS ROLE IN
RECENT TRADE NEGOTIATIONS**

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ABOUT THE AUTHOR



Bruce Muirhead is professor of history and associate vice president, external research, at the University of Waterloo, and recipient of a CIGI Collaborative Research Award. He has written extensively on Canadian agricultural political, diplomatic, financial, international and trade history since World War II and has published five books with university presses, and numerous refereed chapters in books and journal articles on these topics. Further, he has made many conference presentations, both in Canada and abroad that focus on his research. His ongoing work relates to dairy supply management in Canada, and competing systems in Australia, the European Union, New Zealand and the United States. His current research focusses on the financialization of farmland in Canada's West.

ABOUT THE PROJECT

This project, funded by a CIGI Collaborative Research Award, undertakes a comprehensive, comparative analysis of a number of dairy management systems, including those of the European Union (a hybrid system containing subsidies, tariffs and quotas), New Zealand (neo-cooperativization and free market), Australia (a recently deregulated system) and the United States (subsidization and tariffs), along with the unique Canadian dairy supply management system. The research examines the advantages and disadvantages of these paradigms, addressing, among other elements, the cultural, financial, political and social costs and benefits to dairy stakeholders and consumers. Moreover, the ability of each system to provide food security and agricultural resilience in an international context of rising food prices, environmental degradation and climate change is assessed. Research findings will be disseminated in a series of CIGI papers and policy briefs.

ACRONYMS

AAA	Agricultural Adjustments Act (US)
BRICS	Brazil, Russia, India, China and South Africa
CAP	Common Agricultural Policy (EEC)
CCA	Canadian Chamber of Agriculture
CDC	Canadian Dairy Commission
CETA	Comprehensive Economic and Trade Agreement
CERT	Canada-Europe Round Table
EEC	European Economic Community
EMB	European Milk Board
G20	Group of Twenty
GATT	General Agreement on Tariffs and Trade
NMPF	National Milk Producers Federation
OECD	Organisation for Economic Co-operation and Development
OMMB	Ontario Milk Marketing Board
PUB	Public Utilities Board
TPA	Trade Promotion Authority (US)
TPP	Trans-Pacific Partnership
URAA	Uruguay Round Agreement on Agriculture
USDEC	US Dairy Export Council
USTR	US Trade Representative
WTO	World Trade Organization

EXECUTIVE SUMMARY

Canada's system of dairy supply management, where domestic supply is matched with domestic demand, has come under fire in recent years, criticized for being a regulated model in an increasingly deregulated world. This background paper explores the historical evolution of dairy in Canada, and why supply management was eventually implemented in the 1960s, bringing rationality and organization to an industry where none had existed before. It also examines the role of international trade negotiations, largely sponsored by the General Agreement on Tariffs and Trade (GATT) and, after 1995, by the World Trade Organization (WTO), in addressing issues of agricultural protectionism and exceptionalism. It was not until the Uruguay Round (1986–1993), however, that agriculture was included in these negotiations, as neither the European Union (and its antecedents) nor the United States demonstrated any interest. While Uruguay was a tentative beginning, the subsequent Doha Round has dissolved over agricultural problems. In all these venues, supply management has been protected by Canadian governments, but rising international pressure has led Canada to begin to reconsider its support, especially as bilateral trade negotiations and partners are unequivocally opposed to dairy supply management.

INTRODUCTION

Winston Churchill (1947) once noted that: “Many forms of Government have been tried and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except all those other forms that have been tried from time to time.” While conflating Canada's system of supply management in dairy with Churchill's remarks about democracy might seem disproportional, they do make a relevant point. Namely, supply management is not perfect, but it is more perfect in the Canadian context than any other system of dairy market organization. To put it another way, using another British figure from the past, “nothing is great or little otherwise than by Comparison” (Swift [1726] n.d.). On both counts, dairy supply management amply acquits itself, as this paper shows.

The model, which matches domestic demand with domestic supply through a quota system, is particularly well-suited to a commodity like milk, where 40 percent is consumed locally. Supply management is designed to even out the peaks and valleys of producer income, and in this endeavour, it has been successful. It also allows farmers to plan for the longer term, which is particularly important when producing a commodity subject to the whims of the cow's natural production. Producing milk is not like producing widgets — it cannot simply be turned on or off, or the process changed, depending on the market. A

steadier income would be realized by restricting supply using various means, such as quotas allocating production to participants. The model is also not a subsidy — although the WTO defines it as such — as the government does not actively support farmers through direct payments; rather, consumers pay the cost of production. Exports are also a non-factor as supply management concentrates only on the domestic market: “domestic demand is predicted, the anticipated market is divided among farmers with quota,... prices are set at levels high enough to cover production costs plus profit, and imports are controlled to ensure that the administered domestic prices are not undercut by cheaper foreign produce” (Wilson 1990, 169).

DAIRY AND THE INEVITABILITY OF SURPLUSES

Dairy supply management arose from circumstances relating to overproduction, which has plagued the global North since the second agricultural revolution in the late 1800s, when the scientific management of agriculture became more integrated into normal farmers' practice, as fertilizers, mechanization and concentrated feedstuffs were more widely introduced. Farm output soared; “productivism” became the term used to describe this new phenomenon. Hunger, it was argued, would be banished, as scientific farming reduced both crop and animal losses. Pesticides, herbicides and antibiotics would make agriculture less of an annual gamble. Yields would increase, as new chemical fertilizers were applied with the gas-powered equipment that was increasingly accessible to most average farmers.

Bigger also meant better, particularly after World War II, which led politicians, government officials, agronomists and economists to worry “about the inertia of farms that did not adopt the new means of production quickly enough. They cursed the survival ability of the small peasantry that continued to ‘block’ a good portion of the lands” (Mazoyer and Roudart 2006, 431). But they need not have worried; soldiers returning from World Wars I and II did not hanker for the farm, where life was hard and favourable returns remained difficult to realize. In a sense, their eyes had been opened in the battlefields and trenches of France and Italy. American humorist Abe Burrows caught this sentiment perfectly when he satirized the title of a 1918 song describing the reactions of war veterans returning home to rural life. The song asked: “How ya gonna keep ‘em down on the farm (after they’ve seen Patee [Paris])?” which Burrows turned into “how ya gonna keep ‘em down on the farm after they’ve seen the farm?”

Everywhere across the global North, the trend was the same: millions left agriculture for a better life in the city, making industrial products, selling services and products, or working for the growing public sector. The old family

farm, powered by horses, had largely disappeared by the 1950s, as productivism became the new mantra. In Canada, the 450,000 farms of 1950 shrank to about 200,000 a half century later, but despite their dwindling numbers, the latter produced much more. Instead of growing enough calories for only 11 people to consume (as had been the case in 1939), by 1994, the average Canadian farm generated enough output to feed 123 people (Bristow-Callahan 1999). In that year, the average cow provided almost 8,500 kg of milk, up from about 2,400 kg a generation earlier (Hallberg 2003). When these figures were added up, it meant that, by the 1960s, the world was to be inundated by an overabundance of food of all descriptions, largely produced in the global North. And that would prove unsettling.

AGRICULTURAL EXCEPTIONALISM

Finally, and relevant to our discussion here, agriculture was not covered under the GATT. It had not been planned that way, but quickly became so under the exigencies of both US and agricultural exceptionalism. The latter had been incorporated into the discussions that had established the GATT in 1946–1947, but those sentiments proved too difficult to implement. It was accepted that agriculture was not a sector like the others, especially given the hungry years that had been visited upon the likes of North America and Europe as a result of the Great Depression, the ensuing World War and the abnormally cold winter from December 1946 to March 1947. During that winter, as the GATT was being discussed and the postwar order given shape, pack ice was seen off the coast of Belgium and the Thames froze over. Hunger again visited the European continent, as root crops were frozen in the ground, and farm animals died in the thousands. To some extent, European governments made a promise, as postwar recovery took hold, that their people would never starve again. Agriculture was thus a critical sector to be encouraged and protected.

This emphatic protectionism came with the development of the European Economic Community (EEC) in the years after 1957, and the implementation of its Common Agricultural Policy (CAP) in 1962.¹ Ultimately, the CAP provided a subsidy for almost every commodity that came off the farm in the EEC, resulting in wine lakes, milk oceans, butter mountains and wheat hills as farmers responded to the opportunity. By the 1980s, the CAP had exhausted about 70 percent of the EEC budget, a clearly unsustainable amount. That provided a graphic indication of the scale of the agricultural “problem.” The EEC and its successor organizations, the European Communities and the current European Union, had to provide export subsidies to move the product abroad, as it could not possibly be consumed domestically.

However, it was the United States that launched the wave of protectionism that would come to characterize trade in agricultural products, although the Germans, the French and most other Europeans applauded from the sidelines. The United States asked for, and received, a waiver of its agricultural obligations under the GATT in 1954–1955. For the next generation, farm products did not fall under its umbrella, as international trade negotiations were made to conform to Section 22 of the 1933 US Agricultural Adjustments Act (AAA) and its successors. These promised direct subsidies and a variety of other support programs provided by US taxpayers. Among its charges was direct support for the price of milk. On October 1, 1949, the US government guaranteed “to purchase all milk that [could not] be sold in the market at the federally established support price,” which was a changing number depending on conditions (Belongia 1984). Further, the legislation placed no limit on the amount of milk a dairy farmer could sell at the support price. The products covered by the AAA flew in the face of international commitments that the United States had made in the GATT, so those had to be made to conform to its domestic legislation, which was achieved through the waiver.

CANADA: A BRIEF HISTORY OF DAIRY

What was Canada’s position, as other countries attempted to assist their own farmers? Both the federal government and the provinces had supported agriculture in some fashion through the 1930s, the war years and into the postwar period. Dairy, it is generally assumed, has been subject to more regulation than other commodities, given its perishability and the fact that it cannot be stored in fluid form for more than a few days. Supply is relatively constant, while demand can be variable. In the 1930s, these issues became even more pressing, given the economic and social upheaval of that decade. The Dominion Marketing Board, a federal agency established under the National Farm Products Act of 1934, covered a wide range of regulated products and exercised market power over the sale of those products, transferable to provincial-level, producer-organized boards (Barrett and Mutambatsere 2006). Perhaps as a reflection of the tremendous decline in dairy farmer prospects, the Canadian Dairy Farmers’ Federation was established in 1934 to articulate the demands of Canadian dairy producers.

That same year, Ontario was also quick to intervene, establishing the Milk Control Act and the Milk Control Board of Ontario, which emerged out of the act. The control board and act were designed to stabilize prices for both the producer and the consumer, at sustainable levels and which would prevent farmer bankruptcy

1 See, for example, Muirhead (1992).

(Government of Ontario 1947).² This was supposed to bring order to the provincial dairy world, where a price war and unsustainable competition resulted in what could be described as a “race to the bottom.” By 1932, the price of a quart of milk had dropped to five cents, far below a sustainable level (Hennessey, McArthur and Wood 1965, 24). Both the government and producers wanted to bring together “the three parties: the farmer, the distributor, and the consumer,” to begin the process of supply management.³ Together, they would set the price with little intervention from Queen’s Park. In early 1936, a provincial chapter of the Canadian Chamber of Agriculture (CCA) was set up in Ontario to address not only dairy issues, but broader farming ones, however, the dairy sector played a significant role in its establishment, with H. B. Cowan of the Canadian Dairy Farmers’ Federation being appointed its first secretary. The CCA “spelled out its unequivocal support for farmers to organize for orderly marketing within adequate legislative parameters” (Zwerver 1986).

Other provinces had acted earlier — in Alberta, for example, milk was declared a public utility, and its regulation was brought under the Public Utilities Board (PUB) in 1933, where it stayed until 2007. The PUB was the only agency in the province with public regulation expertise, so it seemed a good match. In 1933, the Quebec Dairy Commission was established, designed to raise producer incomes to something approximating a living wage. Saskatchewan followed in 1934, with an amendment to the Local Government Board Act, which gave those covered the power to enquire into any aspect of dairy production, including the supply, distribution and sale of milk. This was followed by the Milk Control Act of February 1935, which provided stability and order to an industry that had experienced nothing but chaos and upheaval. By 1938, the Milk Control Board had established a production quota system to balance supply with demand. All of these measures had been taken in an attempt to make dairy farmer incomes more secure in a turbulent decade.

Following World War II, a difficult path loomed for dairy, as wartime demand dropped precipitously, a result of a substantial export decline. In order to help stabilize an important sector of the Ontario economy, the provincial government struck a Royal Commission in 1946 to report on “the producing, processing, distributing, transporting and marketing of milk including whole milk and such products of milk as are supplied, processed, distributed or sold in any form; the costs, prices, price-spreads, trade practices, methods of financing, management, grading,

policies and any other matter relating to any of them but not as to restrict the generality of the foregoing, the effect thereon of any subsidies or taxes paid or imposed” (Government of Ontario 1947, preface).

The result of that Royal Commission was the Agricultural Products Act (1947), which established floor prices for products to support farm milk prices (Conference Board of Canada 2012). These floor prices were “implemented both through offer-to-purchase programs in which the federal government managed product stocks, and through deficiency payment schemes to farmers that led to the early elements of supply management,” and were enabled by the Export and Import Permits Act (1951), which placed import controls on butter, butterfat, cheeses, skim milk powder and other dairy products (*ibid.*). These actions by government at both levels, however, were not enough to deal with growing dairy surpluses that were soon flooding across Canadian landscapes for a variety of reasons.

Canada’s cheese production, for example, had responded to market opportunities, particularly in the United Kingdom, during the war as continental competitors withdrew. Following the return of peace in 1945 and European recovery by the early 1950s, the UK market for Canadian cheese had collapsed, leaving producers with unsold surpluses. With no alternative in sight, farmers focussed on the domestic market, which proved unable to absorb the significant stocks that accumulated. Farming had become more scientific, as cow genetics improved and mechanization became more prevalent. In short, as productivism became the mantra guiding Canadian agriculture, milk surpluses increased. To sell that surplus product, farmers would take practically whatever price the dairies would offer. This unequal arrangement was unsustainable, at least from the farmer’s perspective.

Something had to be done. Annie Royer (2008) has laid out in detail the issues that dairy farmers faced in the 1950s and early 1960s when dealing with processors: “farmers could either sell their production to agricultural cooperatives or private processing firms. Most contracts with the downstream firms were verbal and were taking place in an oligopsonistic market structure.” This implied certain things — primarily, an information asymmetry between the parties and a power disparity. To complicate matters, there were numerous markets in each province and “the variations in pricing were astounding,” or so remembered then Ontario Minister of Agriculture William Stewart (quoted in Dimmick 2010). In some provinces, cooperatives had never really taken hold, as farmers preferred to market their own milk. Further, “buyers faced imperfect incentives to minimize [milk] transport’s costs and to care for milk owned by producers during transport” (Royer 2008).

While farmers carried all the risks and costs of transport, the buyer decided the trucking firm, schedule and

2 Producers had also organized groups in the 1930s. Fluid milk producers established the Ontario Whole Milk Producers’ League in 1932, followed in 1933 by the Ontario Cheese Producers’ Association. Concentrated milk producers did likewise in 1934, with cream producers organizing in 1936 (Hennessey, McArthur and Wood 1965, 21).

3 See Ebejer (2010).

transport prices. Damage to the milk during transit was also the seller's responsibility, and if it was delivered to the processor in less than perfect condition, the farmer was held responsible. Accounts of buyers terminating milk contracts with producers while the product was in transit were not rare — this show of buyer power helped to keep farmers in line. Nor could dairy farmers accurately determine the size of their market, a fact that was made worse by cyclical overproduction. The "free market" was good for those who stood to profit the most from it, which was not the average farmer. As one farmer noted about the 1960s in a later interview, "We existed, we got by. But we never could make plans for expansion....We just didn't have any money to take that step" (quoted in Cameron 1990). Finally, dairies were able to count on competition among producers and, as a result, enjoyed real bargaining power. In such a competitive environment, with each farmer up against his or her neighbour for the same market, it was, at times, a race to the bottom in terms of commodity pricing.

To deal with this developing situation of "unusual market instability and persistent excess capacity," two different tracks were required (Forbes, Hughes and Warley 1982, 15). One was to empower farmers — to enable them — in their dysfunctional relationship with dairies. The other was to help them financially. The second was, in a sense, easier than the first. In pursuit of that objective, the federal government passed the Agricultural Stabilization Act in 1958. Built on earlier legislation, the act covered a number of agricultural commodities and was designed to provide farmers with a minimum income to address their deteriorating situation. This soon proved to be too onerous for the federal treasury, as support payments rose dramatically. In the case of dairy, by the early 1960s, at least according to the federal minister of finance, "a cost of some \$50 million or \$55 million [in support payments] would seriously upset the balance of the budget" (Government of Canada 1960, 7).

Clearly, the subsidization of agricultural production, regardless of its necessity, was too onerous for Canada to consider over the longer term. Still, the government could not disengage, given the desperate needs of the sector. The other, perhaps more cost effective method of addressing farmer issues was empowerment — in short, providing them with the tools to negotiate more effectively with business. Given the high cost of subsidization, it was one of the only effective methods open to the federal and provincial governments. The end result would be a more equitable dairy/producer relationship, which would mean that farmers *would* be paid more for their commodity. As Qigao Fu (2008) has pointed out, and as governments in the 1960s took to heart, "Producer empowerment is the key to industry growth, or even to maintaining the status quo, in any...nation. If the producers can't have a fair share of the consumer dollar, they will quit the business."

In the 1960s, the Government of Canada was very sensitive to that possibility, especially as the framework guiding agricultural policy development "rested on the belief that agriculture was an exceptional economic sector and 'without [government] intervention, agricultural producers, consumers and society at large, would be adversely affected'" (Skogstad 2008, 9). Some called this agricultural exceptionalism, as it indeed was.

That was the genesis of supply management. As the government moved in that direction, there was no public consultation, although various provinces held committees of inquiry to determine best practice. The committees generally met with producers or their representatives to consider their recommendations, but dairy farmers were not consulted, nor were they consulted on the precise parameters of the model. Most provincial dairy organizations followed the Ontario example, and were split among three different sectors, which did not necessarily get along: smaller operations that produced fluid milk, their industrial milk counterparts, and cheese producers. In Ontario, at least, Minister Stewart thought that forcing the groups together, which he did under the terms of the Milk Act (1965), would be the equivalent of "sticking [his] head in a political noose" (quoted in Dimmick 2010, 31). While it turned out not to be the case, it was a legitimate worry, given the intensity with which dairy farmers were wedded to their particular sector.

In Ontario in 1963, the Robarts government struck a Commission of Inquiry, led by S. J. Hennessey, that focussed on the dairy industry. The Milk Act was based on this commission's recommendations. First and foremost, the Milk Act was necessary to make adherence to a set of rules governing the production and sale of milk mandatory. Given the Ontario dairy producers' reluctance to market through cooperatives, the British model of statutory milk marketing programs recommended itself to Hennessey and his commissioners. This led to the establishment of the Ontario Milk Marketing Board (OMMB) in 1965. The OMMB also helped to dampen dissent among farmers who supplied fluid milk and those who provided the industrial milk that would end up as cheese, butter and skim milk powder, as the board, it was thought, would equalize pricing. But as it turned out, the price received through the board was less than what was formerly paid. From 1966 forward, the OMMB worked to redress this situation, although it was not until 1994, when it implemented a single-pool payment and quota system, that the long-awaited goal to provide equity was realized (Dimmick 2010, 34). Despite this setback, by 1965, the main outlines of dairy supply management were in place in Ontario.

Federally, two weaknesses in dairy farming were identified in the 1950s: surplus production and insufficient price support across Canada. In terms of the former, butter and cheese had been left unsold by the thousands of tonnes; in terms of the latter, farmers found it increasingly difficult

to support themselves. In pursuit of these objectives, the Canadian Federation of Agriculture and the Dairy Farmers of Canada held a conference on Canadian dairy in late February 1963, with federal and provincial representatives, farmers and processors attending the closed session. The result was the demand for a national “body or organization to perform a coordinating and advisory function for the dairy industry” (Forbes 1985, 34).⁴ From this demand, the Canadian Dairy Commission (CDC) emerged, with a mandate “to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality” (Government of Canada 1985, s. 8). This conference “set in motion a chain of political events that yielded the fundamentals of the current Canadian dairy policy” (Coleman 1988, 116).

This reflected similarly progressive legislation passed during the mid-1960s by the two federal minority Liberal governments led by Lester B. Pearson. The legislation, which addressed farmer issues, as opposed to those of processors or agribusiness, was seen as positive, in the same sense as the new Canadian flag or the new Canada Health Act. In short, Canada was transformed during these years, and supply management was a part of that transformation.

A critical part of the process from which the OMMB and the CDC had sprung was the allocation of a quota to producers. The quota was designed to minimize market inequities and to give all farmers, regardless of the size of their holdings, equal access to the market, as long as their quota was met.⁵ It was the foundation of the entire system. It was also to become expensive, costing, by January 2014, CDN\$25,000 per unit, or the amount needed to milk one per cow per day. Statistics Canada (2006) calculated a staggering quota value in 2004 of about CDN\$25 billion for all dairy farming operations in Canada.⁶ The value of dairy quota has, quite likely, outstripped that of farms themselves. While costly, the quota system has worked to

4 Interestingly, US dairy producers and processors had met to discuss similar issues the year before. The primary topic at that meeting was the overproduction of milk, and how to address that situation. See Aiken (1962). The issue of oversupply became so pressing in the United States that Senator Hubert Humphrey proposed a dairy bill — the Dairy Income Stabilization Act — which also provided for a producer referendum on supply management. At the same time, the EEC’s CAP, designed to prevent future starvation in Europe, was implemented.

5 Quota had been used in the 1950s and earlier 1960s, but only by fluid milk producers. The earlier quota system was arranged privately, with dairies allocating quota to certain producers. It was eventually monetized, in that producers would pay fellow producers for their quota, and it was never a rationalized and tightly enforced system.

6 Calculations suggest that each supply-managed farmer holds about CDN\$1.5 million of paper permits.

the benefit of farmers, in terms of increasing their living standards through a livable price for their product, and has also benefitted consumers through the provision of a high-quality, well-priced product. The quota also worked to reduce the large dairy surpluses that had plagued Canadian farmers during the 1950s and into the next decade — unusable surpluses that are still being experienced in the European Union and the United States.

SUPPLY MANAGEMENT IN THE POST-URUGUAY ROUND CONTEXT

As the historical context has shown, supply management was implemented for very good reasons. While it has turned out to be a particularly Canadian way of organizing the dairy industry, every industrialized nation has used some mechanism to ensure dairy farmer survival. As future papers in this series will show, the United States and the European Union heavily subsidize their producers, while New Zealand maintains a neo-cooperative, single-desk system not unlike Canada’s supply management. Established in 2001 by an act of New Zealand Parliament, multinational dairy mega-cooperative Fonterra controls about 35 percent of international trade in dairy. Farmer shareholders own Fonterra; in order to produce dairy for the company, they must own shares, and they can only produce to the extent that their shares allow. As of 2000, Australia opted for a completely subsidy-free regime, with disastrous results. The result of Australia’s lack of intervention demonstrates the necessity of some sort of governmental or other authority’s involvement to promote a stable dairy system.

That said, supply management has become the focus of intense criticism over the past decade, in part, it seems, because of its origins in a liberal, progressive era. The neo-liberal backlash against such intervention has now become “the defining political economic paradigm of our time” (Chomsky 1999, i), evolving from socio-economic circumstances in the mid-1970s, including stagflation, rising public sector deficits and debt, and a decline in sentiment favouring the welfare state, allowing the corporate sector to take charge of national agendas in various countries. In short, in the neo-liberal view, the government went from being a part of the “solution,” as they had been since the Great Depression and the self-inflicted collapse of big business, to becoming part of the “problem” — made so by a concerted effort on the part of that same big business that could profit from this change. However, it was not only a private sector initiative, as some governments bought into and promoted this model. Led by UK Prime Minister Margaret Thatcher (1979–1991) and US President Ronald Reagan (1980–1988) among others, neo-liberalism encompassed principles such as: a commitment to free trade; the rule of “the market”; cutting public expenditure for social services; deregulation; privatization; eliminating

the concept of the public good; and establishing a template of corporate dominance.

These principles put supply management squarely in neo-liberal crosshairs, as regulation of any sort was an “evil” that stood in the way of letting “the market” decide winners and losers. “Free trade,” described as such by the world’s larger economies, became the mantra. This is not to say that free trade had not been pursued since the 1940s — it had. Under the auspices of the GATT, a number of tariff-reduction exercises were held in Geneva and elsewhere, beginning in 1947. These had resulted in the average industrial tariff declining from about 25 percent to approximately four percent. Agriculture, however, was exempt from these discussions in 1955, when the United States demanded and received a waiver of its agricultural obligations under the GATT.⁷ From that point, until the Uruguay Round, agriculture was discussed neither in that venue, nor in polite after-dinner conversation.

Following the various economic and financial crises of the early 1970s, international organizations such as the International Monetary Fund, the Organisation for Economic Co-operation and Development (OECD) and the GATT/WTO, took up the neo-liberal torch. Largely influenced by rising trends in the United States, these organizations seized on neo-liberalism as a mechanism supporting their policies. First and foremost, they rejected regulation of any sort, based on the claim that it created rigidity and worked against the reasonable allocation of resources, as defined by them. For example, the OECD “systematically presents any decrease in a country’s domestic agricultural support, which should lead to greater dependence on market signals alone, as a clear improvement in the sector’s economic management” (Gouin 2004, 70). As for the WTO, it noted in its 2010 trade policy review that “supply management remains a pillar of Canadian agricultural policy. There is scope for reform of Canada’s highly protected dairy and other supply managed subsectors to make them more market-oriented” (WTO 2011, xii).

Given these intensifying attitudes, agriculture was again fair game in the developing Uruguay Round in the late 1980s; there was much more talk, at least, in international organizations about the merits of freeing agricultural trade by reducing subsidies, tariff protection and quantitative restrictions; addressing these issues was one of the primary purposes of that round. The Uruguay Round Agreement on Agriculture (URAA) was published following what was seen as a successful completion of the agriculture negotiations:

One of [its] main achievements...has been the development and implementation of a framework to address barriers

and distortions to trade in three major policy domains (market access, domestic support and export subsidies). New and operationally effective rules have been established and quantitative constraints have been agreed upon for all three pillars. In addition, the URAA has provided an overall framework for the re-instrumentation of agricultural support towards less trade distorting policies. (OECD 2001)

However, dairy was largely left out of Uruguay Round conversations. Further, Canada had partially broken with the Cairns Group in 1989, which had been established three years earlier to address agricultural protectionism, especially EU subsidies and US export subsidization. Clearly, Ottawa had reservations about demands for liberalization that lumped supply management in with subsidies, and it had not fully re-engaged by the end of the round. There was some tinkering, but it was not sufficient to fundamentally change the Canadian system. For example, the producer levy that had been used to finance exports of excess dairy products was phased out (International Policy Council 1996). And while in-tariff quotas were reduced by 36 percent, it had little impact on rates that were as high as 300 percent.

Canada continued to maintain that its dairy quotas were legal under Article XI of the GATT, which admittedly, did not meet with universal approbation. Indeed, as the round wound down, Ottawa “agreed to comprehensive tariffication...with respect to products formerly subject to supply management, Canada imposed tariff-rate quotas in conjunction with high, above-quota tariffs” (Breen 1999, 30). As for the fine print, even those closely connected with the Uruguay Round did not really comprehend what happened with agriculture during the round. Sylvia Ostry, who was at the time a recently retired OECD chief economist, has said: “I didn’t fully understand the implications to the Uruguay Round, even though I was heavily involved in it. Agriculture is still an issue that hasn’t been agreed to. So in fact...it was a grand bargain that turned out to be a bum deal (Canadian International Council 2014). Similarly, the United Nations Special Rapporteur on the Right to Food has offered that “many provisions in the Agreement on Agriculture are ambiguous, highly complex and open to considerable interpretation” (De Schutter 2011, 3). Nor did the succeeding Doha Round, the first organized under the auspices of the new WTO, prove to be any more successful.

Improved market access to the rich world’s agricultural markets was (again) demanded by those less fortunate. The sector was also the primary piece of unfinished business from previous rounds, and especially the negotiations that had occurred under the Uruguay Round. As Kimberly Elliott (2007) has pointed out, “agriculture is a key to a successful round because agricultural liberalization is

⁷ For an account of this development, see Muirhead (1992).

much of what the rich countries have left to contribute to a reciprocal trade deal.” The negotiation was also the first to place “the needs and interests of developing countries” at its heart (ibid.). This was the result of the intensification in developing-country participation, combined with their dissatisfaction over the results of the Uruguay Round. The world had also changed substantially by the turn of the century, with China and India, in particular, becoming much more significant powers than they had been.

But even given the centrality of agriculture to the success of Doha, from the very beginning, it was a bit of a long shot. The United States demanded the complete elimination of agricultural export subsidies, but not domestic subsidies. Washington also reserved the right to reimpose export subsidies when necessary; that would be determined by US interests. In May 2009, Washington reimposed dairy export subsidies. The European Union — which also reimposed dairy export subsidies in January 2009 — as well as Switzerland, Norway, Japan and South Korea would have none of it, with the Europeans, in particular, arguing that the multifunctional role of agriculture needed to be recognized. This was “defined broadly to encompass such things as picturesque pastoral countryside and high animal welfare and environmental standards — something that the EU considers only farmers dependent on agricultural subsidies for their livelihoods can provide” (Grady and Macmillan 1999). To those countries that merely wanted the elimination of agricultural export subsidies, “this [was] nothing more than a polite way of saying ‘hands off our farm sector’” (ibid.).

That was the context in which the new WTO round was launched in 2002. It would have serious implications for agriculture; indeed, by some accounts it ran aground over the agricultural subsidies in place in both the European Union and the United States, despite the fine words that were uttered as the Uruguay Round had ended. This was made more difficult, at least for the large industrialized Western countries, who continued their addiction to agricultural subsidy regimes and were now forced to pay more heed to those emerging economies with manifestly different interests. For the first time since World War II, the West was forced to take into consideration the wishes of BRICS nations (Brazil, China, India and South Africa), which created some turbulence. This was exacerbated by the Group of Twenty (G20), an increasingly influential group established in 1999 comprised of disparate countries with very dissimilar interests, especially with respect to agriculture (BBC News 2008).⁸

Clearly, the battle during the Doha Round was between the European Union and the United States and the

large developing BRICS economies. Canada, with its supply management system, was not a direct target, so although the subsidy portion provided to dairy in 2002 was dropped, it was not as a result of trade pressures, but rather, of the federal Liberal government’s deficit reduction strategies. Several years later, however, Prime Minister Stephen Harper’s Conservative minority government introduced a motion declaring Canadian support for supply management, which received all parties’ approval. The motion referenced the Doha Round negotiations: “That...the government should give its negotiators a mandate...so that, at the end of the current round of negotiations, Canada obtains results that ensure that the supply management sectors are subject to *no reduction in over-quota tariffs and no increase in tariff quotas*” (Government of Canada 2009a; emphasis in original). Then Minister of International Trade Stockwell Day reaffirmed that “The Canadian position is very clear...we will uphold [supply management]...We have to protect our supply management system. That’s our position, and we’re going to continue to maintain it” (Government of Canada 2009b). The Harper government recommitted to supply management following its re-election in May 2011, while in October 2013, Minister of Agriculture and Agri-Food Gerry Ritz defeated a motion that would commit a transition away from supply management (K. Johnson 2013). These pronouncements would become important as Canada undertook negotiations outside of the WTO.

THE COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT AND THE TRANS-PACIFIC PARTNERSHIP

How, then, did these reaffirmations affect Canada’s international trade negotiations? With respect to the Comprehensive Economic and Trade Agreement (CETA), former Canadian trade minister Roy MacLaren, who later headed the Canada-Europe Round Table (CERT), called out “this ridiculous system of supply management” (quoted in Wells 2009). Mauro Petriccione, then director for bilateral trade relations for the European Commission, agreed with MacLaren, noting that “we are watching with extreme interest...I think this is a huge test for Canada” (quoted in Emmott and MacLaren 2009).⁹ Observers of the CETA proceedings would have been forgiven if they believed it was a “done deal” as negotiations began in May 2009, given that popular wisdom listed doing away with the dairy model as critical for success. Oddly, the supply-managed system relating to poultry and eggs

8 The G20 includes membership as diverse as China, the United States, Indonesia, Canada, Saudi Arabia and Japan. Membership is rounded out with Argentina, Australia, Brazil, France, Germany, India, Italy, Mexico, Russia, South Africa, South Korea, Turkey and the United Kingdom.

9 At the same time, the European Union provides primarily wealthy farmers with massive subsidies. See Monbiot (2013). Queen Elizabeth II was paid almost £409,000 in subsidies for her Sandringham estates, and has reportedly sided in various EU parliaments in opposition to cuts. Petriccione should look closer to home, where more than 180 Italian companies each received more than £1 million in agricultural subsidies in 2009. See Vucheva (2009).

was not included in the discussions, at the request of the Europeans. The list of businesspeople participating with the government in executive round tables reads like a who's who of business in Canada: Alstom, Borealis, Bombardier, Siemens, ThyssenKrupp, Vale INCO, Mercedes-Benz and McCarthy Tétrault, among others. CERT had the ear of the Canadian government, and it desperately wanted a deal with Europe; if dairy stood in the way, then there was only one possible response.

A CETA agreement was signed in October 2013, subject to later modifications, translated into all official 28 EU languages, and passed by all 28 EU legislatures. Surprisingly, dairy supply management was largely unscathed — an additional 17,000 tonnes of fine cheese was to be allowed into Canada. While the Dairy Farmers of Canada took exception to this result, it could have been much worse (see Government of Canada 2013). The agreement itself has come under fire for other reasons relating to investor protection provisions, a forecast increase in drug prices given the longer patent period given to pharmaceutical companies, and intellectual property provisions that weaken Canada's own.

With respect to the Trans-Pacific Partnership (TPP), Canada remained an outsider until October 2012, largely because New Zealand and the United States wanted guarantees that Canada would negotiate major dairy concessions, many of which revolved around changing supply management to something more neo-liberal. To date, New Zealand is vetoing Canadian participation based on Canada's dairy supply management regime. However, as Sallie James (2010) has pointed out, even the United States, now involved in negotiations, would be reticent in liberalizing completely in this area: "the bruising experience with the sugar lobby during the negotiations for the FTA with Australia serves as a warning for those that hope a TPP might, through freer trade with New Zealand, bring U.S. consumers long-overdue access to competitive dairy products. Dairy would likely be subject to significant carve-outs and delayed liberalization, especially if...members of Congress are intimately involved with proceedings."

What the Harper government did agree to will become known as the negotiations conclude. In a speech in November 2011, New Zealand Minister of Trade Tim Groser (2011) noted that "Canada follows a policy that many Governments used to follow but most have moved forward. It is called 'supply management.' It is completely inconsistent with tariff elimination....we will be looking for clear political signals of a reasonably broad-based understanding that it is not just a matter of turning up at the Club and demanding membership." However, he also noted that "supply management is not inconsistent with more traditional trade negotiations of the past. Canada is fundamentally a free trading nation with very strong interests in agriculture liberalisation. But Canada has always sought special treatment for its supply managed

industries. If I were a Canadian politician or trade negotiator, I would have done exactly the same" (ibid.). Similarly, the US government thinks the Canadian supply management paradigm is a bad one, at least according to Clayton Yeutter, former US trade ambassador, who noted that "Canada needs to address policies in its dairy and poultry sectors that are opposed by the U.S., Australia and New Zealand before it can join TPP" (quoted in Cayo 2012).

This specific targeting of supply management is unusual in the context of a wide-ranging multilateral free trade deal, a fact that Groser noted. He also suggested that the TPP was not a negotiation in the "traditional" sense. However, both New Zealand and the United States want access to Canada's dairy market, both in its own right and as a supplier of dairy products to other markets. Fonterra, for example, is a very active corporate owner of dairies in Australia and the United States, and much of New Zealand's dairy policy is driven by the cooperative.

Fonterra has one overriding objective in the TPP, as Tim Fulton, editor of the *New Zealand Farmers Weekly* has highlighted: "It is pivotal to New Zealand's prospects to basically have a free trade environment that involves [North] America, that involves Europe, so that we can maintain our stable dairy market commodity prices" (quoted in TVNZ OneNews 2009). In short, given the tremendous importance of dairy to the New Zealand economy — contributing about eight percent of its GDP — this impetus for free trade has become the prime directive; the reason for New Zealand's participation in the TPP is obvious.

Given Ambassador Yeutter's earlier musings on supply management, it would seem that New Zealand would have a natural ally in the United States in protesting Canada's dairy model. However, it appears that there is as significant disagreement between New Zealand and the United States as there is between Canada and those nations.¹⁰ Indeed, "U.S. dairy groups like the National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) are pushing the Office of the U.S. Trade Representative [USTR] to secure completely free trade in dairy products with Canada in the...[TPP] negotiations.... At the same time, these dairy groups do not want USTR to agree to free trade in dairy products with New Zealand, another TPP member" (World Trade Online 2012). Shawna Morris, the vice president for trade policy at the USDEC and the NMPF, has cited Fonterra's dominance in the New Zealand domestic market as an issue that should be on the table. That industry's structure was "the most important U.S.-New Zealand dairy topic that should be addressed in the TPP discussions....A situation where one firm enjoys control of almost 90% of the milk supply in the world's

¹⁰ See, for example, McCulloch (2013).

single largest dairy exporting country cannot be viewed as even-handed” (quoted in Dickrell 2012a).

She also takes aim at the Canadian paradigm, even though Canada is the second most important destination for US dairy exports, behind Mexico, representing about US\$500 million in annual sales for US dairy — roughly 10 percent of total production. Clearly, the USDEC wants to increase that total. Canada’s “participation in the talks must be accompanied by a very clear understanding that all trade barriers against U.S. dairy must be eliminated, and is fundamental in gaining the support of the U.S. industry” (Dumas 2012).¹¹ Indeed, Alan Levitt, vice president of communications and market analysis for the USDEC, was more explicit: “The [TPP]...could open up substantially more exports to Canada if such an agreement ever becomes reality” (Dickrell 2012b).¹²

News reports on an issue like this are always tentative, although there has been some speculation that Canada has had to pledge fealty to progress already made in negotiations. As CBC News (2012) pointed out, “as a latecomer, Canada has had to accept without question all that has already been agreed to by the TPP partners.” Prime Minister Harper later noted that “There is an accession process, so we don’t disrupt the negotiations....We’re obviously not going to try to undo what’s been done, but these negotiations in our judgment are at fairly preliminary phases right now” (quoted in *ibid.*). That remains to be seen, of course, now that Canada has participated in its first full round of negotiations in Auckland, New Zealand, in December 2012. Incidentally, Ottawa’s involvement came after 14 rounds of hard discussion where much had been decided, dating back to early 2009.

THE BENEFITS OF SUPPLY MANAGEMENT

Other than the obvious irritation aroused on the part of some of our trading partners by Canada’s dairy management model, there is no good reason that it should be fundamentally altered on the basis of price, efficiency or sustainability. The number of Canadian dairy farms has fallen dramatically over the past 60 years, to the roughly 12,500 that operate in this country at present, a trend that has been evident in all other industrialized countries as well. Using the example of Ontario over the period from 1970 to 2000, the number of active dairy farmers dropped by 84 percent, while the volume of milk produced has increased by 515 percent. The average size of a Canadian farm is 74 cows, which represents an eminently sustainable

number. These remain *family* farms, a fact that is critical for the survival of small towns in many parts of the country. Price is also reasonable, guaranteeing, as it does, a fair return to the producer, as well as a sensible price to the consumer.

While the stories of Canadian cross-border shoppers in the border communities of Bellingham, WA or Niagara Falls, NY looking to save money on milk are legion, does the price consumers are paying accurately reflect US production costs? The quick answer is “no,” as the US federal government subsidizes dairy production using a number of instruments, including its milk marketing orders, which set the minimum price for dairy products, the Milk Price Support Program that keeps market prices artificially high, and the Milk Income Loss Contract, among others. These subsidies represent about 40 percent of US dairy farmer incomes.

Moreover, US Congress has recently added additional protections to dairy farmer incomes through a new farm bill, which provides for “subsidized insurance to pay farmers when the difference between milk and feed prices becomes too small to cover their other expenses” (M. L. Johnson 2014). Without that hidden support, US dairy products would be much more costly for consumers, given that US Bureau of Labor Statistics calculations suggest that, in September 2012, a gallon of milk cost US shoppers about US\$3.51. When milk sells for US\$2.99 per gallon in Niagara Falls, NY, it is clearly being presented as a loss leader to entice both US and Canadian shoppers into the supermarket.

Supply management provides a living income for farmers, unlike the case with many of their counterparts elsewhere. Some influential critics seem not to agree with the proposition that it is as important for producers to earn a living as it is for consumers to be able to purchase cheap food. For example, John Winter, president and CEO of the BC Chamber of Commerce, has offered that supply management is yesterday’s solution: “I think what we’re seeing happening in Bellingham [where British Columbians buy dairy products] at the Costco is probably the best example of why [supply management does not] work: the fact that our milk is overpriced and it’s a monopoly, that’s probably not in the best interests of consumers” (quoted in Wagler 2012).

Aside from US subsidies, is consumer advantage the *only* variable to consider? There are successful models where both farmers *and* consumers win, and supply management is one of them. It is far too easy, given the rhetoric and constant media attention on higher Canadian milk prices, for consumers to believe that only their interests count. It is important not to be drawn into the “one size fits all” model, where the only winner is the global consumer, rather than the producer; that is a sure road to disaster. The Australian example reflects this mindset, and it has

¹¹ See also USTR (2012).

¹² See also NMPF (2014), where the NMPF reiterates its demands vis-à-vis New Zealand’s Fonterra, and how its “monopolistic dairy structure... creates unfair commercial advantages for a single company,” which also has to be changed.

resulted in the continuing destruction of that country's dairy industry.

And what of the price situation in New Zealand, that repository of neo-liberal activity, the model toward which so many critics of Canada's supply managed system are drawn. Three litres of milk in a supermarket in downtown Wellington is the equivalent of CDN\$5.74. Normalizing this cost for the Canadian four-litre container works out to CDN\$7.65. Since 2007, the price of New Zealand milk has increased by 50 percent, as new consumers in China, India and Indonesia have intensified demand for the commodity (Economics in Plain English 2013). Population anger drove New Zealand to strike a parliamentary selection committee to investigate milk prices in mid-2011 (Government of New Zealand 2011). When asked whether Fonterra set the price of milk in New Zealand, then Chief Executive of Fonterra Andrew Ferrier replied: "Absolutely not. The world market sets the price. All we do is run a milk price that converts the world market price to the New Zealand equivalent" (quoted in Stuff New Zealand 2011). As he later noted, "While these prices are good for food exports and the New Zealand economy, New Zealanders are feeling the effects of this in their shopping trolley" (quoted in Mu 2011). The result was frozen milk prices throughout 2011, and lost income by farmers.

Ferrier also suggested that the global milk market is consuming increasing volumes and that that situation will only get better, at least for dairy farmers. As he put it, "[global] demand [for milk] now is so all encompassing and strong, there is opportunity for everybody" (quoted in Pitts 2011). In this context, with revenues to be made by those willing to enter into the "free" trade in milk products, supply management is archaic. However, Ferrier's assertion about "opportunity for everyone" is clearly wide of the mark. Witness the "1,000 tractors to Brussels" demonstration of November 2012, as dairy farmers from across Europe marched on the EU capital and fought with Belgian riot police, reflecting the dismal dairy situation, as a study prepared for the European Milk Board (EMB) clearly demonstrates. It finds a "huge gap between production costs incurred and the prices producers are paid" (EMB 2013). The board "regards a farm-gate price of 50 cents a kilo of milk essential. Last year, however, the average price in Germany was 31.50 cents/kilo milk" (ibid.). Moreover, German dairy cows churned out 29.3 million tonnes of milk in 2012 — the most ever produced. This has "put the dairy industry under pressure," according to Hans Foldenauer, spokesperson for the German Federal Dairy Farmers Association (quoted in The Local 2012).

The problem of no markets is made worse by the fact of deteriorating farm-gate prices. Indeed, the situation has gotten appreciably worse, given the supermarket predilection of favouring consumers over producers: milk prices have dropped in Germany, as discount supermarkets have cut the price of fluid milk by six percent, and that

of butter by 14 percent. Alexander Bonde, the head of the *AgrarMinisterKonferenz*, which represents industry as well as state and federal agriculture ministries, noted that "the irresponsible price battles of discount supermarkets' are ruining Germany's farms and rural areas" (The Local 2012). Does Ferrier know of these issues? Clearly, this situation does not happen with supply management.

THE FUTURE OF SUPPLY MANAGEMENT

And what of supply management's future? Will it survive the current fixation with free trade and the ideological attack from those who regret its existence? While this is difficult to determine, it seems likely. Agriculture remains a "special" sector, even following the Uruguay Round. Doha ran aground over agricultural issues and, while WTO proponents claim that the organization is now back on track following the so-called Bali agreement, this remains to be seen. The negotiation, largely over agricultural subsidies and lowering import tariffs, almost collapsed when India and the United States could not agree over the subsidies. To avoid that cliff, the United States simply agreed that India could continue to subsidize agricultural produce for home consumption until all sides agree that it has to stop. When that will happen is anyone's guess. In a sense, agreement is achieved only by subverting the very issue it was supposed to address. Appropriately, Larry Elliott (2011), business editor of *The Guardian*, has suggested that "The deal signed by the 159 members of the [WTO] in Bali is a triumph. But only in the way that Dunkirk was a triumph for Britain in 1940. The WTO has avoided a calamity. It lives to fight another day as a body that can cut global trade agreements. But no more than that...It adds up to very little." For its part, *The Economist* (2013) noted that "the agreement leaves the future of global talks cloudier than might have been hoped."

Further, the United States maintains its subsidy regime for various crops. While the rhetoric would suggest that the United States is a free trader, the reality is far from that truth. In 2012, for example, Washington provided more than US\$3.2 billion for dairy subsidies (US Department of Agriculture 2012). In 2014, a new farm bill ostensibly reformed the way the United States does its agricultural business. Dairy farmers can rely on the Dairy Producer Margin Protection Program, an insurance program — highly subsidized by US taxpayers — that pays dairy farmers when the national margin on milk sales falls below a set threshold. Needless to say, fears abound that farmers will produce too much milk to take advantage of taxpayer largesse, which will only serve to exert a downward pressure on price, which, in turn, begins the subsidy cycle all over again.

As for the European Union, an excellent article by Rizov, Pokrivcak and Ciaian (2013) begins with the

straightforward observation that “The EU farm sector is heavily subsidized.” Annually, the authors note, the European Union spends about €50 billion in support of all farmers’ incomes (ibid). Of that, more than €2.3 billion is spent on subsidizing dairy exports. While the European Union has said it will scrap this tool, it will only do so if others, particularly the United States, join in. Clearly, the WTO is not able to discipline its members, as the European Union does this without contravening its multilateral commitments. This was a holdover from the Uruguay Round, when rich WTO members could specify which commodities they wanted to continue to cover with export subsidies (Boulanger 2009). The European Union is the largest user of such subsidies, which continue into the present.

I mention these examples not to contrast them with the Canadian case, but to demonstrate the futility of any country attempting to completely eliminate support for dairy. Two important economic powers, the European Union and the United States, clearly subsidize their dairy sectors, and are unlikely to stop doing so. The example set for Canada with its supply-managed dairy sector is obvious — ultimately, there will be no sustained pressure to fundamentally alter its system. This was evident with the results of the CETA, which Canada signed with the European Union in October 2013. Additionally, there has been no demand from the United States that Canada reform its supply-managed system in the TPP negotiations, despite hysterical Canadian media and think-tank pressure to do so.¹³ Further, the Obama administration has not yet received a positive vote from Congress on its request for Trade Promotion Authority (TPA), and without that, there will be no agreement in the Pacific region. Obama “appears to be losing the argument,” as even Senate majority leader and Democrat Harry Reid has come out against it (Lowrey 2014). *The New York Times* has speculated that the Senate might not “take up fast-track legislation in the near future, let alone pass it” (ibid.). And without that tool, which permits Congress a yes or no vote on the trade deal in its entirety, it is very unlikely that any TPP will result. The fear of so-called free trade agreements is palpable among the middle and working classes, and even many US politicians are wary of seeing more jobs sent offshore.

Because of the EU and US addictions to agricultural subsidies, and their reluctance to eliminate them, as well as the lack of TPA to smooth the US road to TPP success, supply management is safe yet again. It seems unlikely that there will be a TPP, or that the WTO will be able to discipline members sufficiently to make them adhere to a strict neo-liberal free-trade-takes-all position. That adds up to safety for agricultural subsidies in the rich world,

which is where Canada’s system of supply management falls.

But why is the elimination of supply management even on the table, given its obvious sense, rationality and discipline? Clearly, our negotiating partners see an advantage for themselves if the model disappears. In the case of those international organizations, concerned about ever-freer trade for whatever reasons, ideology is at work. We live in a world increasingly free of public intervention and regulation — of any sense of the “public good.” The 2008 global financial crisis is a reflection of that. Everywhere, the private sector, with the help of various national governments, the WTO and the OECD, has established mechanisms for regulating both upstream and downstream activity. For example, GlobalGAP is a private sector food certification agency controlled by European and US supermarkets, including Tesco (United Kingdom), Carrefour (France) and Walmart (United States) and which, according to its website, has “400 certified products and over 130,000 certified producers in more than 110 countries.” This is the solution the WTO and OECD wish to see: the private sector as fallback. Ideology interferes with sound reasoning. In the neo-liberal world, focussed as it is on privatization, deregulation, free trade and open markets, and the withdrawal of government from polite discourse, supply management is a bad precedent to set. Indeed, WTO/OECD ideology is the only reason, it seems, for considering a return to the 1950s, when “market discipline” was all the rage among those who stood most to profit from it. As Will Verboeven (2010) has pointed out, “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 is any indication, maybe a back to the future approach is in order. Learning from past successes is generally better than learning from future failures.”

To date, Canadian governments have committed themselves to maintaining the system. Only time will tell if they will be able to continue to do so in the face of sustained pressure to fundamentally alter the dairy management system. To lose it, however, would be a tragedy — it has served dairy farmers, consumers and processors well over the years, providing cost-effective, safe and secure dairy products in a world where those realities are increasingly difficult to guarantee.

¹³ *The Globe and Mail*, the *National Post* and the *Toronto Star*, among others, have called for Canada to rid itself of supply management. Similarly, the Frontier Centre for Public Policy, the Fraser Institute and the Conference Board of Canada have led sustained campaigns to end it.

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