Options for Supply Management in Canada Under Trade Liberalization

June 2, 2006
Discussion
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Chicken Farmers of Ontario
The Fine Print

The opinions expressed in this presentation are those of the presenter and don’t necessarily reflect those of Chicken Farmers of Ontario, Chicken Farmers of Canada or other supply managed commodities.
Supply Management – In Context

• Canada’s Dairy, Poultry and Egg Industries contribute $12.3 billion to the GDP
• Generate $7.4 billion in Farm Cash Receipts (23.3% of all FCR)
• Sustain more the $39 billion in economic activity
• Employ about 215,000 Canadians
• Don’t rely on Government assistance
Government Payments Received in Supply Management

Growing a healthy product
Assuring a healthy future
Supply Management is Not a Closed System

- Canada provides more access to SM commodities than many other countries
- 4% for dairy
- 5% for eggs and turkey
- 7.5% for chicken
- 21% for hatching eggs
- U.S. gives 2.8% for dairy and the EU 0.5% for poultry
Chicken Imports into Canada and the US
1986 to 2005

Growing a healthy product
Assuring a healthy future
Chicken Imports into Canada and the US
1986 to 2005

- CDN Imports
- U.S. Imports

Growing a healthy product
Assuring a healthy future
# Market Access - Chicken

## Canada/US

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*Growing a healthy product
Assuring a healthy future*
## Market Access - Chicken

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- It is about real market access
General Comments about the Paper

• Key Features of Supply Management (SM)
  – 3 pillars
    • Planned production
    • Pricing authority
    • Import Controls
• SM farm cash receipts closer to 23%
• 80% of Cdn Ag export oriented 20% SM
  – Canada is the biggest market of Canadian products (70%)
General Comments con’t

• Valuation of Quota Equation makes sense
  \[ P = \frac{R(1-d)}{r+d-g} \]

• Could explore this further
  \[ P = \frac{R(1-d)}{r+d-g-h-b} \]

Where \( h \) is the degree of demand from Dutch farmers, and
  \( b \) is a bank’s willingness to loan money
General Comments con’t

• “Water” in the tariff?
Functioning Tariff

PAYS EXPORTATEURS (USA, Brésil, Thaïlande) 7,5%

Pays exportateurs 7,5%

Canadian Market 100%

Producteurs canadiens 92,5%

TARIF 238%
General Comments con’t

• Paper references room to cut chicken tariffs 50-70% based on iced broilers
  – In 2005 this accounted for 0.2% of all imports
  – Vast majority are wings and breast meat
  – Product in the last 2 years has come in over tariff (2.3 mkg on evisc. basis in 2005)
  – Boneless breast from Brazil can land with tariff at close to Canadian prices
Overall Comments

- Discussion on options is premature
- Options need to be commodity specific
Options for Adjustment Assistance

• The debate over assistance
  – “why should some workers be treated better”
    • Farmers are business owners
    • Financially invested in the industry
    • Bring stability to rural communities
Options for Adjustment Assistance

• The debate over assistance
  – “producers knew the risk”
    • Did they?
    • Risk is clearly there but those that hold the power have been saying “all the right things”
    • Unanimous motion of the House of Commons on SM
Options...

- Book Value
- Aussie Model
- Two Quota Option
- Tobacco and Peanut in the US
- Full Buyout

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Assuring a healthy future
Depends on WTO agreement

- The are 3 pillars to SM
  - Planned Production
  - Pricing Authority
  - Import Controls
Depends on the Cdn Government

• What happens to the other two pillars?
  • Planned Production
  • Pricing Authority
• Area for consideration….
Is There a Preference?

• If a decision had to be made…
• Supportive of the options that provide the greatest level of assistance
• Full quota buy out
• Tobacco model has merit.
• Farmer choice

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Summary

- Premature for the discussion.
- Really depends on what happens at WTO
- Any future analysis needs to be commodity specific.