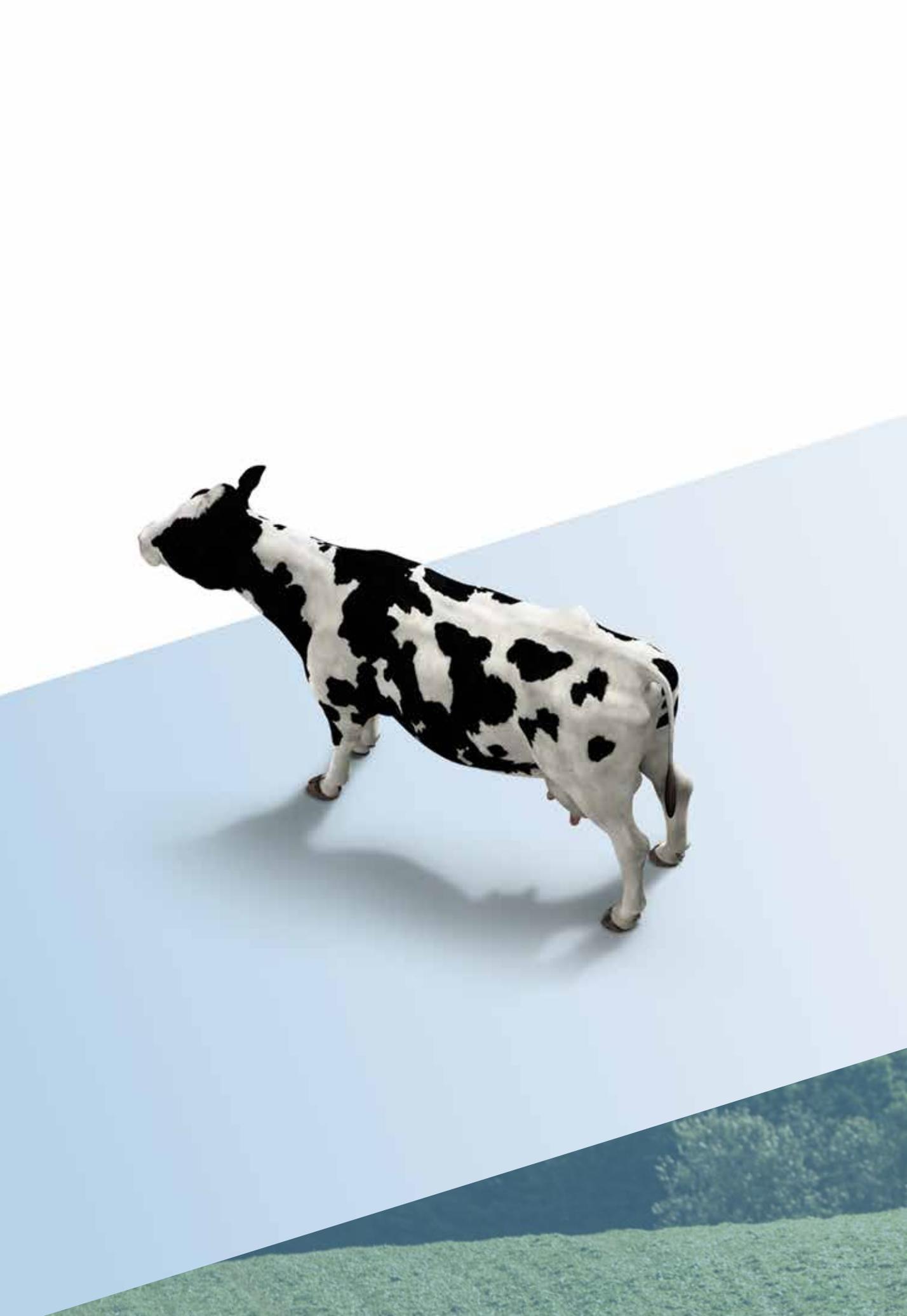


# BETTER MANAGEMENT | BETTER SUPPLY

SUSTAINABILITY, INNOVATION, QUALITY, PERFORMANCE, PROXIMITY





# THE SUPPLY MANAGEMENT MOVEMENT

To support the Canadian government in the World Trade Organization negotiations, a widespread movement in support of supply management began in 2003 under the name G05 Coalition for a Fair Farming Model, Supply Management.

In 2017, we updated our coalition's name, which is now The Supply Management Movement. This inclusive repositioning reflects its members' enthusiasm and

proactivity and sounds a call for civil society as a whole to take forward-looking action.

The Supply Management Movement is formed by partners in the agri-food industry, businesses, financial institutions, consumer groups, unions, elected officials at the municipal, provincial and federal levels, and individuals who believe that supply management is an economic and social policy that promotes strong agriculture and a prosperous food sector in Quebec and Canada.

## SUPPLY MANAGEMENT: PROFITABLE FOR QUEBEC

➔ **116,000**

JOB

➔ **\$8.7B**

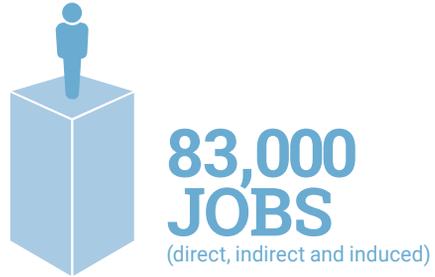
IN CONTRIBUTIONS  
TO THE GDP

➔ **\$2.1B**

IN TAX RECEIPTS



# DAIRY INDUSTRY



➔ **\$2.5B**  
IN FARM RECEIPTS  
(28% of agricultural  
revenue in Quebec)

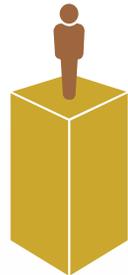
➔ **\$6.2B**  
IN CONTRIBUTIONS  
TO THE GDP

➔ **\$1.3B**  
IN TAX RECEIPTS

# POULTRY INDUSTRY



**889  
FARMS**



**27,300  
JOBS**  
(direct, indirect and induced)



➔ **\$726M**

**IN FARM RECEIPTS**  
(8.8% of agricultural  
revenue in Quebec)

➔ **\$2.1B**

**IN CONTRIBUTIONS  
TO THE GDP**

➔ **\$689M**

**IN TAX RECEIPTS**

# TABLE EGG INDUSTRY

 **114 FARMES**

 **3,300 JOBS**  
(direct, indirect and induced)

➔ **\$168M**  
IN FARM RECEIPTS  
(2% of agricultural revenue in Quebec)

➔ **\$255M**  
IN CONTRIBUTIONS TO THE GDP

➔ **\$83M**  
IN TAX RECEIPTS



# HATCHING EGG INDUSTRY

 **37 FARMES**

 **2,100 JOBS**  
(direct, indirect and induced)

➔ **\$80M**  
IN FARM RECEIPTS  
(1% of agricultural revenue in Quebec)

➔ **\$120M**  
IN CONTRIBUTIONS TO THE GDP

➔ **\$46M**  
IN TAX RECEIPTS

# AGRICULTURAL EXCEPTION

Around the world, agriculture is differentiated from other economic sectors because it poses a high level of risk. In fact, living assets, an unstable climate, herd diseases, food safety and rapidly perishable food are all high risks that must be managed on a daily basis by agricultural entrepreneurs.

These risks, combined with the essential nature of food, justify special treatment to mitigate the chronic instability of the revenue received by agricultural enterprises. This special treatment is recognized by governments: It is known as the agricultural exception.

Support policies, market regulation, and measures excluding agriculture from trade agreements have been established merely as a proactive response to the necessity of managing agricultural risks in order to ensure food security across the nation, high-quality food production and profitability for agricultural enterprises.

In Canada, supply management and collective marketing are economic policies that recognize the specificity of the dairy, egg and poultry industries. This policy is just as legitimate as the budget support provided by the U.S. Farm Bill and the European Union's Common Agricultural Policy, for example.

**ALL DEVELOPED NATIONS HAVE AGRICULTURAL POLICIES TO HELP FARMERS MANAGE THE RISKS:**

 <b>BUDGET APPROACH</b>	 <b>REGULATORY APPROACH</b>
<b>EXAMPLES</b> Farm Bill (U.S.) CAP (EU) Growing Forward (Canada)	<b>EXAMPLE</b> Supply management (Canada)

# BETTER MANAGEMENT, BETTER SUPPLY

Supply management is the system by which milk, table and hatching egg, chicken and turkey producers strike the best possible balance between supply and demand by Quebec and Canadian consumers for their products.

Canadian producers in the supply management system rely entirely on the market price and receive no direct government subsidies to support their incomes.

Supply management is supported by three pillars:

**1. Managing production based on the market**  
Every farm holds a share of the market (quota) that determines the quantity of milk, eggs or poultry, adjusted to consumer demand,

which farmers may produce, and this quantity fluctuates upward or downward. When market growth requires higher quotas, producers do not have to buy the quota. It is issued in proportion to the entire group of producers.

**2. Ensuring that producers receive a steady income**  
A target price for supply-managed products is established based on the production costs of efficient producers. These costs include the cost of labour and investments, and take into account the overall state of the economy in Canada.

**3. Managing imports**  
Tariff rate quotas allow a predetermined quantity of products to be imported tariff-free. Tariffs apply beyond that quantity.



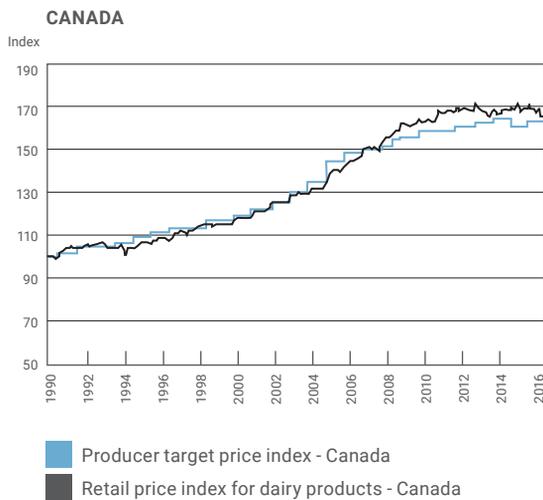
**“Our job is easier at the bank when we work with supply-managed productions. We have excellent entrepreneurs in those sectors.”**

**Claude Bilodeau**, Expert Advisor, Agribusiness and Agrifood Sector at the National Bank

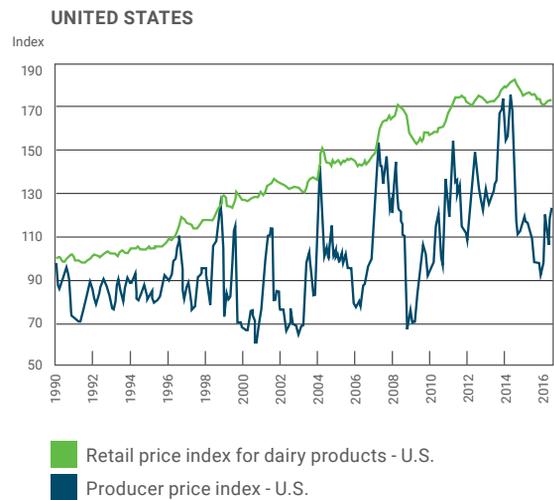
Supply management promotes profitability in agricultural enterprises because it provides producers with a stable income and allows them to obtain a greater share of the dollars spent by consumers, without receiving direct subsidies to support their income.

For example, Quebec and Canadian milk producers receive a much more stable income from the sale of their milk than their American colleagues, and the price of dairy products has more rapidly increased in the United States than in Canada, as shown by the charts below.

**COMPARISON OF DAIRY PRODUCT RETAIL PRICES AND PRODUCER MILK PRICES IN THE UNITED STATES, 1990-2016**



Sources: Statistics Canada and Canadian Dairy Commission.



Sources: Bureau of Labor Statistics (BLS) and United States Department of Agriculture (USDA).

# PROXIMITY

Quebecers want to consume local foods not only because it is healthy and ecological to do so, but because it also helps keep agriculture alive in their regions and provides jobs across Quebec.

Due to its very nature, supply management fulfills these desires, promotes the consumption of dairy and poultry products that are made in the country by our producers and processors, and creates jobs and significant economic benefits for our regions.

Quebecers and Canadians also recognize this, as shown by a Campaign Research survey

in May 2017. In fact, over half of Quebecers approve of the “protectionism” of Canada’s dairy and poultry industries, to the extent that they would pay more for eggs, chicken, milk and cheese than for similar products from the U.S.

It must be mentioned that retail price differences between Canada and the United States are not rare when it comes to foods and many common consumer goods. These differences have nothing to do with supply management. They are instead related to several other factors, such as the size and structure of the markets and distribution networks.

**“Retailers want producers to keep growing in our regions and to keep making our communities places where all enterprises flourish, which is why we support supply management.”**

**Pierre-Alexandre Blouin**, interim Chief Executive Officer,  
Association des détaillants en alimentation du Québec

# QUALITY

**“Supply management ensures that food is produced in Canada according to standards that are upheld.”**

**Dr René Bergeron**, President of the Association des médecins vétérinaires du Québec

The quality of the marketed products is a constant concern for milk, egg and poultry producers. Supply management and collective marketing help set some of the highest and strictest mandatory and common quality standards in the world.

All milk, egg and poultry production enterprises are subject to specific quality programs for the environment, food safety, animal care, traceability and compliance.



# INNOVATION

Supply management provides financial stability and a continuous supply, which allows producers and processors to focus on innovation in their area of expertise.

Genetic material from our dairy cattle is exported to around one hundred countries, and the quantity of exported semen and breeding cow embryos has doubled in 30 years. Sales went from \$68 million in 1988 to \$140 million in 2015.

Since 2013, Quebec is the only territory in America where traceability information on eggs intended for retail sale must be recorded. Furthermore, thanks to GPS mapping of poultry enterprises, Canada has a cutting-edge chicken farming traceability system.

Moreover, the assortment of over 500 fine cheeses made in Quebec, a proud example of its locally produced foods, demonstrates these artisans' expertise and the industry's clever innovativeness.

**“Supply management is important because it has helped Canada become a leader and a reference in bovine genetics, especially as concerns dairy cattle.**

**[...] For those who don't believe that supply management promotes innovation, we can show them that they're mistaken.”**

**Mario Hébert**, General Manager of the Centre d'insémination artificielle du Québec

**“There has been so much development in cheeses thanks to supply management. The chicken supply has totally changed over the years. We have so many new cuts. [...] Today, turkey is a product that has been developed, is available and can be bought in large quantity.”**

**Pierre Carrier**, founder of Agnus Dei, caterer

# PERFORMANCE

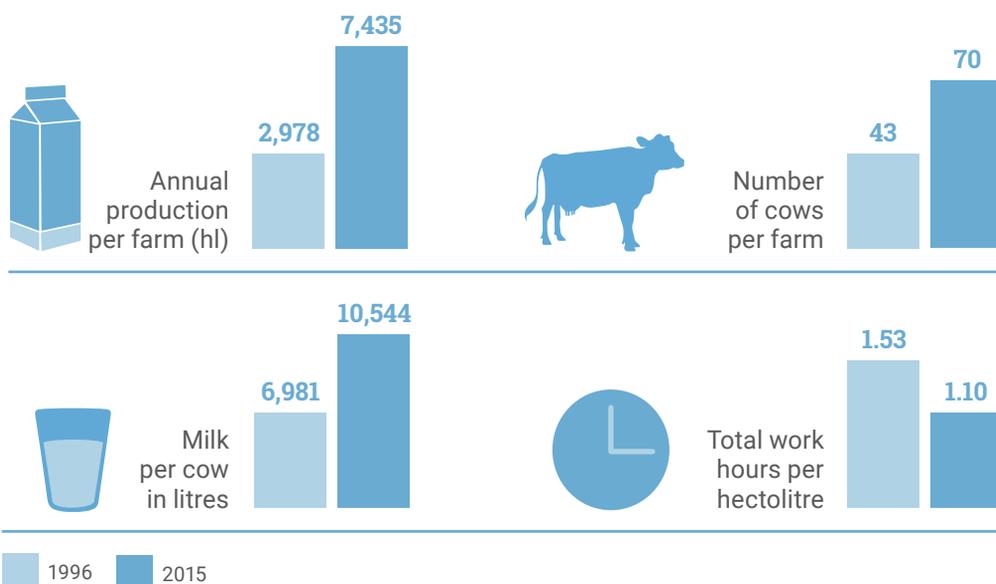
**“Supply management is not an obstacle to performance or innovation. It is in the producers’ interest to improve their production costs so that they can improve their financial situation.”**

**René Roy**, agr., agro-economist, Research and Development, Valacta

To reduce their environmental footprint, get the most out of their equipment and increase their productivity, producers in the supply management system base their strategic plan on performance and productivity.

Several indicators, such as the annual production per farm, the number of cows per farm, the quantity of milk produced per cow and the total number of hours worked per hectolitre, show the continuous improvement of Quebec dairy farms’ technical performances:

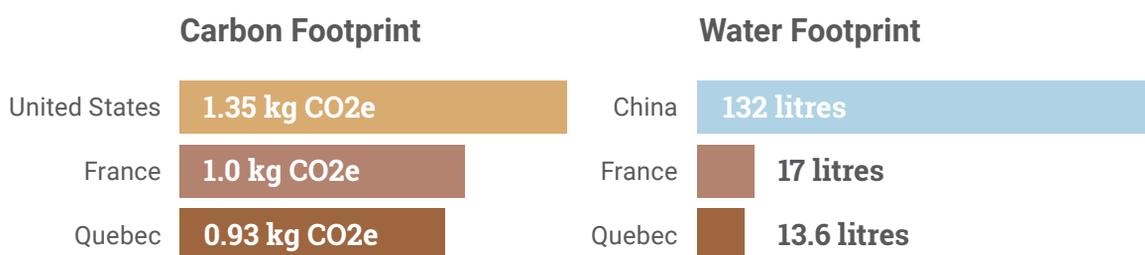
## DAIRY PERFORMANCE



Source: Groupe Agéco, *Survey of production costs of Quebec dairy enterprises*.

# SUSTAINABILITY

In fact, according to the Canadian milk life cycle assessment published in November 2012, compared to other milk producing regions in the world, Quebec is one of the lowest greenhouse gas emitters and water consumers per kilo of milk produced, as shown by the figures below.



Sources: Quantis Canada, Groupe Agéco and CIRAIG.

**“When you refer to the available studies on the dairy industry, which were produced abroad, you notice that the Canadian dairy industry’s environmental performance holds up well when it comes to the carbon footprint, the water balance and agri-environmental practices.”**

**Jean-Michel Couture**, researcher, Groupe Agéco



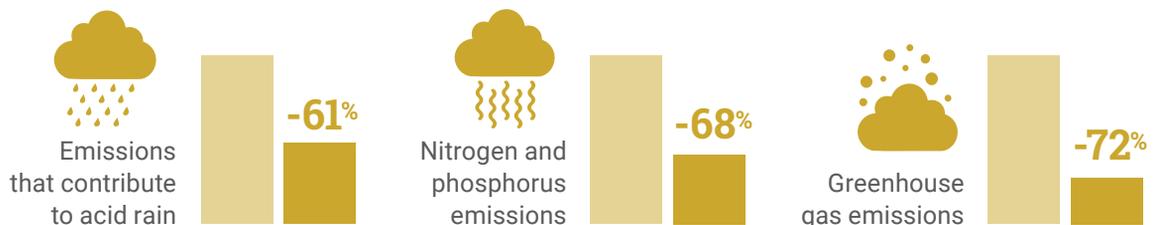
# TABLE EGG PRODUCTION IN CANADA BETWEEN 1962 AND 2012



## USES FEWER RESOURCES



## PRODUCES FEWER EMISSIONS



Source: Global Ecologic.

**“Managing production on the basis of supply is an agro-ecological action. It keeps surpluses from being produced in the market which lead to a slump in prices. Managing production in step with demand is ecological, profitable and responsible.”**

**Marcel Groleau**, President of the UPA and spokesperson of The Supply Management Movement

# MYTHS AND REALITIES

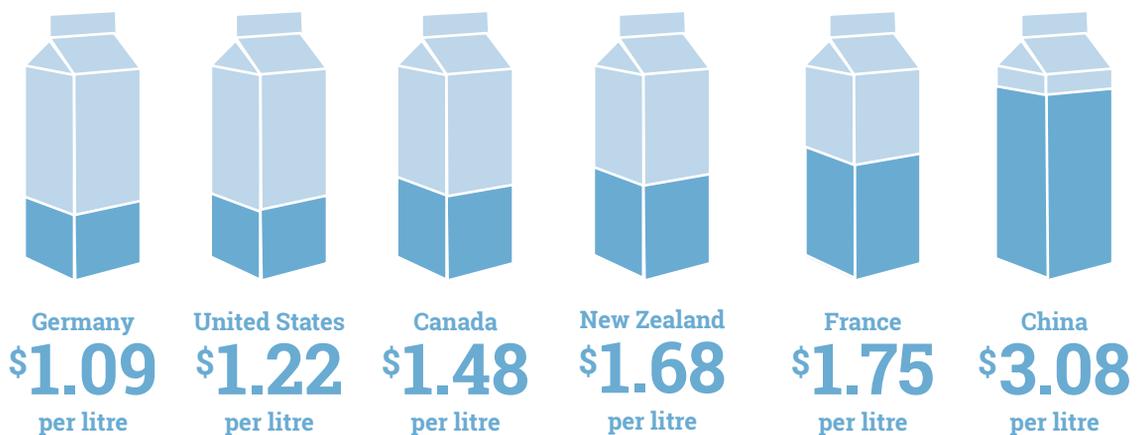
## DOES SUPPLY MANAGEMENT PREVENT YOUNG ENTREPRENEURS FROM GOING INTO PRODUCTION?

Quite the opposite! Young farmers see supply management as reassuring because it not only helps them become profitable and plan their development in a predictable environment, but also provides them with a decent and fair income.

According to a study by Quebec's ministry of agriculture, fisheries and food (Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec), 40% of young farmers choose to go into milk or poultry production.

## DO CONSUMERS PAY MORE FOR THEIR DAIRY PRODUCTS BECAUSE OF SUPPLY MANAGEMENT?

A recent comparison of prices around the world shows that the weighted retail price of milk in Canada holds up well in comparison with other countries.



Sources: Dairy Farmers of Canada and The Nielsen Company, 2016.

# DEREGULATION, A POOR SOLUTION

Australia is often cited as an example because it deregulated its dairy industry in the early 2000s. However, consumers and producers have definitely come out on the losing end of its deregulation.



Sources: Australian Government, Australian Bureau of Statistics and Dairy Australia, *Australian Dairy Industry in Focus*, 2016.

The consequences could be similar for Canada, according to an analysis of deregulation by the Boston Consulting Group in 2015:



Source: Boston Consulting Group, *Analysis of the Potential Impacts of the End of Supply Management in the Canadian Dairy Industry*, 2015.

# SUPPLY MANAGEMENT, A WINNING SOLUTION

**Citizens** enjoy access to high-quality local products at reasonable prices, without having to support farmers' income with their taxes.

**Governments** and **society** as a whole enjoy economic and fiscal benefits from the sector.

The **agri-food industry** is guaranteed a regular supply of high-quality products.

**Producers** receive a fair income entirely from the market.







---

[www.mouvementgo.ca](http://www.mouvementgo.ca)