



DAVID
PESCOD'S

What Do You Think?

Are Canadian Consumers being Milked Dry?



Who would have thought *Maxime Bernier* (and I gotta love that nickname an NDP-er has given him - Mad Max) and Donald Trump would have the same argument on their minds. Frankly, I don't think the average Canadian tax payer/consumer/political person knows much or cares much about the dairy industry, but when you present them with the case that they are paying almost twice as much for their cheese, milk and other related products as an American consumer, you can see that they might get upset.

All of a sudden after years of being a topic of concern because of the supply management system (it wouldn't be allowed for any other industry, so how come it thrives in the dairy industry) is a big question. We have to admit our admiration for Mad Max and Donald Trump, the two people actually supporting the Canadian consumer as they fight the dairy monopoly/cartel that has been established

So are you a young guy or gal looking to get into the dairy business? Michael Osborne in the Financial Post writes, "The price of quota creates a huge entry barrier for young farmers who want to start the kind of family farm that supply management is supposed to protect. Buying quota for an average-size herd of 85 cattle costs about \$2 million in Ontario and Quebec, and \$3.5 million in Alberta. The cost of financing the purchase of quota makes entry unattractive..." And folks, that's before you buy a barn, land, or any equipment. A business for the wealthy that keeps getting wealthier and the Canadian consumer pays for it...

in Canada.

We find in researching the dairy industry some pretty interesting articles being written by all types.

How about the one by Barrie McKenna for the Globe and Mail last dated May 15, 2018. He writes, "So you want to be a dairy farmer? You buy a plot of land and a few dozen cows. Then, you try to sell your milk to neighbours or maybe the local grocery store. Not so fast. That's prohibited. Canada's dairy business – now the target of Canada's trade rivals in the Trans-Pacific Partnership trade talks – is one of the most closeted industries in the country.

The so-called supply management system is operated by farmer-run provincial marketing boards, which have a mandate to meet consumer demand...To get in, farmers must buy quota, which gives them the right to produce a set amount of milk and sell it at fixed prices. Membership doesn't come cheap. Quota for a single cow ranges from \$25,000 in Ontario and Quebec to \$42,500 in B.C... He writes later, "Dairy farmers are well organized, politically active and often well known in their local communities. And they are in virtually every rural riding across Canada, ready to dial up their MP when they're not happy.

The industry also has a sizeable war chest – to build goodwill, encourage consumption and to defend supply management. The industry raises an estimated \$100-million nationally from levies on milk for marketing purposes, plus membership dues from farmers. Dairy farmers don't just produce milk. They are also in the processing business, making everything from butter to yogurt and ice cream..."

One writer that we were quite surprised with comes from Martha Hall Findlay, who is an executive at the University of Calgary's school of public policy and a former liberal MP which we find interesting...because in Canada, all the major parties for some reason, are supporting supply management systems, but for some reason, **only for the dairy producers!**

In her article in MacLeans Magazine, a feisty magazine which seems to be fighting more for Canadian tax payers and consumers than any other publication (certainly more than the CBC), she writes, "There is a lot more to Canada's dairy farms than the idyllic settings portrayed in the TV ads with the dancing cows.



Maxime "Mad Max" Bernier One of the few "conservatives" left



The dairy industry is distinctly different in the United States and Canada.(Buffalo News file photo)

In dairy, a cutthroat U.S. business versus a Canadian cartel

Source: Buffalo News

Dairy, poultry and egg farming, alone among all of Canada's food production, is governed by supply management, an archaic, decades-old—and very costly—controlled-market system. We continue to artificially support this small group, barely six per cent of all Canadian farmers, by fixing prices, imposing extremely high tariffs to keep those prices high, and controlling production. This system, Canada's very own regulated cartel, costs virtually every Canadian, sometimes in multiple ways—yet very few know anything about it..."

She continues, "The system hurts consumers:

- The average family pays over

\$300 a year more than they should for basic nutrition.

- In every trade negotiation, it hinders access to international markets.
- We lose Canadian food processing jobs, because the food processors (the butter, cheese and yogourt makers) who sell internationally, locate their plants (and their jobs) outside of Canada because our milk is too expensive.
- And for those who like the idea of helping Canadian farmers, supply management actually hurts the majority of them—the 94 per cent who are not supply managed—because by far the majority of Canada's farmers produce beef, pork, grains, oilseeds and pulses—all products that Canada could sell more of to the rapidly-growing Asian markets, if only we stopped harming our trade options by insisting on protecting supply management for a tiny minority."

Then we get to some other interesting numbers as written by Martha Hall Findlay who is a President and CEO of the Canada West Foundation and written up in the Globe and Mail on August 21, 2017, she notes the affect on the family farm. She talks about "Supply management 'protects' the family farm." Not only is this false, the opposite is true. In Canada, the rate of consolidation has actually been higher – yes, higher – in the supply-managed dairy, poultry and egg sectors, than in most other agricultural sectors. Whereas in the 1970s, there were approximately 145,000 dairy producers, there are now barely more than 9,000."

And so why are there so few dairy farmers left? And so few young people getting into the business? Well that mathematics is quite simple. An average young person simply cannot afford to get into the business anymore as the cartel simply excludes you. For instance, this little piece from Alberta Milk, one of the industry backers answers the question about the cost of setting up a dairy farm and they answer it..."hypothetically, the average cow (Holstein) produces about 34 L of milk per day. As quota is currently sitting at \$36,900, for a 108 cow dairy, it would be about \$3,985,200."

Do you understand that? It's not the same as buying an A&W, which is not a member of a cartel or a Mr. Lube or whatever other business. This is a cartel that completely controls the business.

Alberta Milk does continue on their article writing, "Quota can be thought of as a type of franchise fee for starting up a dairy farm, like something a chain restaurant would have, for example.

This start-up cost allows dairy farmers to produce milk in a highly stable and predictable market and receive fair returns for their hard work through supply management". So they write. **Bullshit!** The average Canadian consumer of dairy products in Canada is paying outrageous prices to support ever-fewer extremely wealthy dairy producers. What is totally confusing is how the Conservatives, Liberals and NDP all seem to support this, despite the fact that it's one of the only supply management factors in the country. What are the conservative doing favouring this? All of a sudden, Mad Max is our hero and we are so disappointed that he so narrowly lost the conservative leadership to Andrew Scheer, who might as well be called a Liberal.

What are your thoughts? We have below, several articles we found of interest including one by the CBC. Typically another taxpayer subsidized institution that takes a popular leftie position.

To read some interesting articles on the dairy/cheese cartel in Canada and why we pay so much for their products...please click on the following links:

1. <https://www.macleans.ca/economy/economicanalysis/why-your-milk-costs-so-much-in-canada>
2. <https://business.financialpost.com/opinion/its-really-time-to-kick-canadas-2-6-billion-dairy-cartel-er-habit>
3. <https://www.theglobeandmail.com/report-on-business/rob-commentary/canadas-supply-management-system-for-dairy-is-no-longer-defensible/article36029788/https://>
4. www.theglobeandmail.com/news/politics/canadas-dairy-industry-is-a-rich-closed-club/article25124114/https://
5. www.cbc.ca/news/politics/supply-management-in-canada-why-politicians-defend-farm-marketing-boards-1.3166329