



# Farming and Supply Management lose out in the new NAFTA

*On November 30, 2018, Canada, the United States and Mexico signed a new trilateral trade agreement for North America called the Canada-United States-Mexico Agreement (CUSMA). This deal – if ratified by all three countries – will replace the North American Free Trade Agreement (NAFTA). The “new NAFTA” needs to be fixed in several key areas. The Council of Canadians is calling on the Trudeau government to hold on ratifying the deal until these changes are made.*

With the new NAFTA, small farmers and consumers suffered major losses as their interests were sacrificed to big American agricultural interests. While Prime Minister Justin Trudeau vowed to protect the sector, in the end, Canada gave in to pressure from U.S. President Donald Trump as he repeatedly targeted Canada’s supply management system.

The U.S., with an overproduction problem in dairy, hopes that increased access to Canada’s market will solve its problems. While milk consumption in the U.S. decreases, U.S. milk production and milk exports have increased substantially. According to Canadian trade strategist Peter Clark, between 2007 and 2017, U.S. milk production increased 12 per cent; USDA projects a 42 per cent growth in milk exports, which Clark compares to the Chinese dumping of steel.

Chris Holman, from the Wisconsin Farmer’s Union says, “The key piece of information in this story is that U.S. dairy farmers are simply producing too much milk. According to data from the U.S. Department of agriculture, 43 million gallons of milk were dumped in fields, manure lagoons or animal feed or were discarded at plants just in the first eight months of 2016.”

In the new NAFTA, the U.S. will gain 3.59 per cent access to our dairy market.

Canada has already surrendered market access in the Comprehensive and Progressive Agreement for Trans-Pacific

Partnership (CPTPP) and the Canada-European Comprehensive Economic and Trade Agreement (CETA) negotiations.

- In CETA, Canada has expanded access to its market for cheeses from five per cent to nine per cent.
- The CPTPP will grant tariff-free access to 3.25 per cent of Canada’s current dairy market, 2.3 per cent for eggs, 2.1 per cent for chicken, 2 per cent for turkey and 1.5 per cent for broiler hatching eggs in the first five years, with the amounts rising in future years.

The U.S. industrialized farming industry is heavily subsidized. Giving more market access to U.S. farms would mean Canadian small farmers would be in unfair competition with much bigger producers.

## **The threat of Bovine Growth Hormone (rBGH)**

In 1998, the Council of Canadians ran a successful campaign to block the sale of genetically engineered bovine growth hormone (rBGH) in Canada. Produced by Monsanto, this hormone increases milk production in cows by as much as 25 per cent.

The rBGH-injected cows, pushed to yield unnaturally large quantities of milk, suffer from more stress and a higher incidence of udder infections, reproductive disorders, swollen legs and premature death. And the long-term side effects of

BGH on humans have never been studied.

Because of its effects on cows, Health Canada did not permit the licensing of rBGH. However, it never banned imports of milk drawn from rBGH-injected cows.

In the U.S., despite public pressure, rBGH is permitted. Canadian farmers not only have to compete with heavily subsidized U.S. agriculture, but with farmers who use rBGH to increase production.

Consumers who appreciate that Canada's milk supply is rBGH-free, may be unwittingly buying American milk that does not meet that standard.

### **Undermining Canadian sovereignty in agriculture policy**

The new NAFTA doesn't just attack farmers' supply management program, it makes many other changes including:

- The new NAFTA would make it impossible to distinguish between U.S. and Canadian wheat for export. It eliminates a grading system that would grade U.S. wheat as being of inferior quality.
- It allows the U.S. to limit and monitor Canada's exports of milk protein concentrates, skim milk powder, and infant formula, not just to the U.S., but to the world.
- It forces Canada to abandon its Class 7 milk pricing. This was a Canadian pricing strategy that allowed Canadian producers to use skim milk instead of imported diafiltered milk protein powders.
- It commits the three countries to continued efforts at the World Trade Organization to apply market disciplines to agriculture in areas such as "domestic support, export competition and market access." This will ultimately undermine programs that support small-scale, sustainable agriculture.

National Farmers' Union Trade Chair Terry Boehm said, "By signing the [new NAFTA], Canada will attack other countries' domestic programs in pursuit of fundamental reform that puts markets and competition before livelihoods and community."

### **What is supply management?**

Supply management is a system in which the Canadian government produces licences that allow farmers' production quotas of dairy, poultry or eggs. It also controls the price and taxes of imports into Canada. This process guarantees a sustainable living for farmers and ensures that small local farms are not flooded by agriculture from large mega farms.

And unlike the European Union and the United States, which have large amounts of subsidies for farming, Canada has not had to subsidize its farmers.

### **What are other experiences with supply management?**

New Zealand, which dismantled supply management and is a huge exporter of milk, has seen farm revenues decrease while consumers pay high prices. According to the Les Producteurs du lait du Québec, "In New Zealand, which exports more than 90 per cent of its production, things are even worse. Milk producers have absorbed revenue losses of more than 50 per cent. Farm debt has tripled in three years and 85 per cent of producers operate at a loss. Prices went down in the short term, but rose over five years.

In fact, Canada's supply management system is the envy of other small farmers in the world. Some U.S. farmers say that instead of attacking Canada's system, the U.S. should control its oversupply problem by adopting its own supply management system.

The Council of Canadians opposes ratification of a new NAFTA that puts our food sovereignty in jeopardy.

**Read more about the new NAFTA and take action at [canadians.org/nafta](http://canadians.org/nafta) or call us toll-free at 1-800-387-7177.**