The need to regulate agricultural markets

-Analysis and proposals in view of the recent food price crisis-

Yves Leduc, Director, International Trade
Dairy Farmers of Canada
March 11, 2009
To Regulate or Not to Regulate?

- Hasn’t the financial crisis demonstrated that markets require a minimum of regulation?
- Contradicting messages:
  - Regulate the financial markets; and,
  - Open market for industrial and agricultural goods.
- Is trade liberalisation the response to the crisis?
To Adapt or not to Adapt?

• In Canada we mention that an agreement at the WTO is inevitable, and that we will have to adapt

• But adapt to what?
  • To a WTO deal that has not yet been agreed to?
  • Premature to prejudge the outcome of the WTO negotiations
To Adapt to a Highly Volatile Environment?

Oceania export prices (US$)  
(long term)
Supply Management: A solution or a Problem?


Impact of the global food crisis on consumers

*Note: For Europe and France the index includes eggs as well
A Canadian Success Story that began 40 years ago

- Fair and **stable** price for farmers
- **Stable** and reasonable prices for consumers
- **Stable** supply for processors
  - ... allowing processors profits
- Very limited reliance on government treasury
- High quality products
- No surplus production
### A System under Threat by the WTO

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Fundamental Preoccupation

- The WTO threatens collective tools
  - Collective bargainning

- Extreme Concentration observed at the processing and distribution levels
Agriculture Negotiations Overall Assessment

- Fourth revision of the agriculture modalities
  - still doesn’t address the specific concerns of supply management.
Tariff Wall for Butter
Assuming 23% Over-Quota Tariff Reduction
Landed price vs Domestic Price
Oceania Price (US$/Tonne)

Current Domestic Price:
$7,102.4/tonne
What’s at stake is serious

- **Total Impact**
  - $1Billion+ (conservative estimate)
  - It represents 20% of the farm cash receipts of the dairy sector
  - There are no guarantees that the consumers will benefit
Is WTO the true answer?

- Overall, we notice several proposals at the WTO which are highly unbalanced
  - Inequities which resulted from the UR are not corrected
  - Green Box support not capped
  - Will not benefit producers
  - Will not improve food security
EU Total Agriculture Support

Forecast RD spending by 2013

[Diagram showing RD spending from 1980 to 2013, broken down by categories: Export subsidies, Market support, Direct aids, Decoupled payments, Rural development, and % of EU GDP.]
No Recognition of Interlinkages

• Interlinkages exist between the three pillars of the negotiations.

Domestic support

Market Access

Export Competition
Refocusing the Debate

"There was massive regulatory failure, massive supervisory failure, and massive corporate governance failures."

"These are all things on which we wrote the book! And by 'we,' I mean we in the West, we in the U.S., we in the OECD," and a smattering of multilateral organizations including the International Monetary Fund that championed free-market solutions for years.

-Angel Gurria, Secretary General, OECD
Globe & Mail, January 30, 2009
Refocusing the Debate

• Questioning the direction of the WTO

“Every other country in the world knows that markets without any limits, or regulations, or safety requirements in effect devour themselves...because they’re not self-limiting.”

“We were wrong to believe that food was like some other product in international trade.”

-Bill Clinton
Refocusing the Debate

- Questioning/Rethinking the direction in which the WTO is heading
  - Legitimate in these times of economic and food crisis
World dairy trade

World dairy trade development
2000 - 2007
(in mil. tonnes m.e.)

World dairy trade as a % of total production, 2007

6.5% is traded

Source: International Trade Dutch Dairy Board / Comtrade
Refocusing the Debate

World agricultural trade as a % of total production, 2007

Less than 10% of total food is traded on world markets.

Putting things into their true context
Refocusing the debate

• Even for a country like Canada for which trade is quite significant, one must not lose sight of the importance of the domestic market:
  • primary market of Canada’s agriculture industry
  • App. 70% of agriculture and agri-food revenues come from sales on the domestic market
Refocusing the debate

• The objective is not to diminish the importance of trade
  • But to ensure that trade rules allow for equitable treatment of what's traded
  • And allow enough policy space for countries to exercise their food sovereignty
    • E.g. the right of countries to develop their own agricultural policies based on their particular realities
A Legitimate Sustainable Development Policy

Logical answer to trade liberalization and market concentration... 

BUT

Efficient means to ensure producers receive a fair price...

...requires an appropriate legislative framework.

BUT

...producers must be disciplined.
Supply Management: A Solution

- A sustainable development model
- Coherent with our vision of the Right to Food
  - Which must allow people to have access to an adequate supply of food
  - While ensuring a proper income for the producers
- Allow enough flexibility to implement this type of policy
Thank You

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