

NATURE OF THINGS: CONFESSIONS OF AN ECONOMIST



Wendy Holm P.Ag.

My good friend Jim Millson, a dairy farmer from Durham County, Ontario, is running for the Board of DFO.

With 30 years of milking cows under his belt, a hard working wife, and two out of five kids (son Ben, daughter Morgan) back and working on the farm, Jim is throwing his cap in the ring this fall for a seat on the 12-person Dairy Farmers of Ontario Board of Directors. A huge responsibility: one third of his working days sucked — thwoop! — into service to his community. I asked Jim why he was doing it.

Without a moment's hesitation, he replied: "The WTO."

According to Jim, Canada's supply management programs is losing ground in the multinational struggle for a borderless



global economy. Rather than touting the benefits of supply management to farmers in other countries, Canada's sends bureaucrats to the WTO table who, when pressured for more trade liberalization, cringe and wring their hands and accept changes to the trade regulations (e.g. butter oil blends) that fundamentally undermine Canada's domestic supply management system.

"Farmers have to be stronger and more vigilant on the WTO front," Jim said. "I think I can contribute in that area."

I know he can, and have encouraged him to run: without supply management, the invisible hand of the market will do the wringing. And the neck in question will most certainly be that of Canada's independent farm sector.

In the final chapter of his 2006 book *Food is Different* — a compelling argument for food sovereignty — Peter Rosset

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Fax (403) 782-5585
Cell: (403) 391-6260

Check out our website:
www.centralalbertafarms.com
asteegstra@royallepage.ca



concludes with a simple prescription:

"...The first step is to reverse runaway trade liberalization, whether it comes via the WTO, or via regional or bilateral trade agreements, and to give every people and nation the right to design their own food and agriculture policies, policies that are pro-family farmer, pro-peasant, pro-environment and pro-consumer, as long as those policies do not hurt third parties via dumping or excessive exports. Is this really too much to ask?" Despite high levels of market concentration in Canada's dairy and poultry processing sectors, farmers get their fair share of the retail dollar and prices to consumers remain among the lowest in the world. An example of this is a just-released New Zealand study that notes the March 2008 price (in NZ \$) of a two litre container of milk was \$3.43 in France, \$3.25 in New Zealand, \$3.10 in Australia, \$2.94 in Britain, \$2.53 in USA and \$2.36 in Canada.

Why the disconnect on the part of Canadians? Largely because multinational interests and right wing think tanks dominate public discussion, reciting worn out neo-conservative theories that have no relevance in today's concentrated economic markets. In 1974, I completed a Master of Science in Agricultural Economics at UBC. Then, as now, the economic departments of all major North American universities were grounded in neo-conservative economic theory. My thesis defense was standing-room-only as peers, anxious to see whether a grad student at war with the department chair could really get out alive, crowded the room. Later, I was told by my professor that the mark I received was the highest to date in my department.

High marks mean you know your stuff, right? Uh... wrong.... I headed off to my plum job in Ottawa- Chief Economist, Poultry and Eggs, Food Prices Review Board - with the same neo-con mantras humming in my 26 year old brain that are portrayed as gospel today: Trade is good. Tariffs and subsidies are bad. Competitive markets work best. Regulation is inefficient. I could argue against economic rents far into the night. Beryl Plumtre's very public war with Eugene Whelan over the Canadian Marketing Agency was the stuff of Ottawa legend. We held up the formation of a national chicken marketing agency for more than two years.

And were proud of it. It took me over a decade in the real world to understand that I actually knew nothing. It was at that point that I began learning.

The world is not flat. Economics as a discipline needs to get over Adam Smith and get with the program. Competitive markets exist in the robust "adolescent" phase of a firm's development. As they grow successful, firms need capital to

expand. Winning the "pick me" game with investors requires bottom line profits, evoking a cascading chain of options and events as predictable as physics. As concentration increases, the benefits of competition disappear. When government steps back from the anti-trust plate, arguments for global competitiveness result in excessive regional levels of market concentration.

In the end, communities suffer. When the commodity is food, the risk becomes unacceptable.

In the end, it comes down to policy sovereignty. In sectors important to national security - food, education, health to name a few - a nation's right to chart its own course with respect to public policy cannot be negotiated away by trade agreements. Ireland, the only EU nation that allowed its citizens a vote on the matter, just rejected the Lisbon Treaty that would have ceded powers to the European Parliament, created the post of EU President and granted the EU increased authority to "speak in one voice" on foreign affairs. Already ratified by 18 of the 27 EU nations, Ireland's rejection means the treaty will fail.

Why did Irish voters reject the treaty? Because it threatened Ireland's sovereignty. When push came to shove, Paddy got his back up and said no. And so did the majority of his mates.

Canadians are yearning for answers that will lead them to a sustainable future. Food policy issues that only a decade ago fell on deaf ears today command attention and support from consumers. Supply management is part of the solution for Canadian agriculture. Farmers like Jim Millson and others sitting on provincial farm organizations such as Dairy Farmers of Ontario and Alberta Milk need to redouble their efforts to bring this message home to consumers and politicians.

"All of the money farmers are investing in product and market development could be lost with one bad regulation coming out of WTO", said Jim. "We need to make sure that doesn't happen."

Instead of posturing at the WTO, Canada should be showing off our supply management model to the world as a sustainable, made-in-Canada solution to deliver equity to farmers and food security to communities.

Only in Canada you say? Pity! _____

*Jim, along with Alberta 's Bruce Beattie and B.C.'s Lorne Hansen, began working with me in Cuba in December of 2004 to help create a sustainable dairy production model at Cooperative 26 of July in Los Palos, Habana Province. Jim remains involved. When completed in 2010, this model will add an important building block to Cuba's strategy for dairy self-sufficiency.