



National Farmers Union
Union Nationale des Fermiers



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Mr. Phil Hogan,
Commissioner for Agriculture & Rural Development
European Commission
Rue de la Loi / Wetstraat 200
1049 1049 Brussels, Belgium

Email: phil.hogan@ec.europa.eu

Dear Mr. Hogan

We in Canada have been observing from afar the crisis in the European Union's dairy sector following the elimination of production quotas on April 1, 2015. Media are reporting that farm-gate prices for milk have fallen – and remained – well below the cost of production in your member states as a result of the supply of milk now exceeding demand. Farmers who have the means, or who can obtain credit, seek to improve their incomes by increasing their output, which exacerbates the glut and further depresses prices. Those who do not have the means to expand fall deeper into debt as their daily work brings them mounting losses in spite of their best efforts. Over the past year, farmers in England, France, Germany and Hungary have been in the streets protesting as all other means of protecting their livelihoods and the fruits of their life's work seem futile.

We feel compassion for your farmers. Those who remember our history in Canada know that our parents' generation of dairy farmers went through similar hard times in the mid-1900s. We would like to offer you the solution that was developed here with the wisdom, foresight and determination of farmers and political leaders, and which has worked well for over 50 years. Canada's unique institution is called Supply Management, and it protects the interests of dairy farmers, processors, and consumers without drawing upon the public purse. It provides farmers receive a fair return for their labour, management and investment through cost-of-production pricing; dairy processors receive a reliable supply of milk at predictable prices; consumers receive high quality, wholesome dairy products at reasonable prices and are never faced with shortages. The whole system runs without a penny of government subsidy payments.

The Supply Management system embodies subsidiarity, democracy, good jobs and fair livelihoods. Each Canadian province has its own milk marketing board run by farmers who are elected by their peers. The parameters of these boards' authority are defined by overarching federal legislation along with each province's corresponding law and regulations. The dairy sector offers farmers a decent, predictable livelihood, allowing them to invest in environmentally-friendly technology, use sustainable management practices, and employ local workers at good living wage rates. Each province has its own dairy processing facilities, reducing the amount of transportation (and associated greenhouse gases) required to produce dairy products for Canadian consumers across the country.

The Supply Management system rests on a foundation made of three pillars: import controls, production discipline and cost-of-production pricing. Each pillar is necessary. We must control the imports (via tariff

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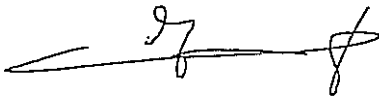
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barriers) in order to accurately predict the amount of dairy products needed by our market. This also means that our dairy market is not buffeted by the political and economic vagaries of other countries' markets which are outside of our control. Farmers must accept mandatory production discipline so that they provide enough, but not too much, milk for the country's needs. Farmers are willing to limit production because the price they receive per litre is determined annually through a cost of production formula that encourages efficiency. With these basics in place we continue to have a dairy sector with average farm herd size that does not stress local ecosystems or animal welfare. Dairy farmers' income stability often provides an economic anchor in their communities when other agricultural products or industries experience volatility and precarious incomes. Thus, our Supply Management system contributes to rural employment, quality of life and social cohesion in addition to its economic contributions.

Mr Junker, President of the EU Commission, noted that the unemployed make up the equivalent of a 29th state in your Union. If unchecked, your dairy crisis will result in even more unemployed people. Yet, as is often said, a crisis can become an opportunity if used creatively. We encourage you to lead Europe to adopt a Canadian-style supply management system. It would solve multiple problems, starting with the income crisis your dairy farmers are suffering. It would also relieve your member states' treasuries of the burden of propping up unsustainably low prices with subsidies, and it would ensure European consumers will be able to reliably obtain all the wholesome dairy products they need at fair prices.

Please feel free to contact me if you would like more information about the Canadian supply management system (which, by the way, also applies to the chicken, turkey, eggs and hatching eggs sectors).

Sincerely,

A handwritten signature in black ink, appearing to be 'Jan Slomp', written over a horizontal line.

Jan Slomp
President, National Farmers Union (Canada)