LIBERTAS ALBERTA

Supply Management Reform…

Charting a course to:

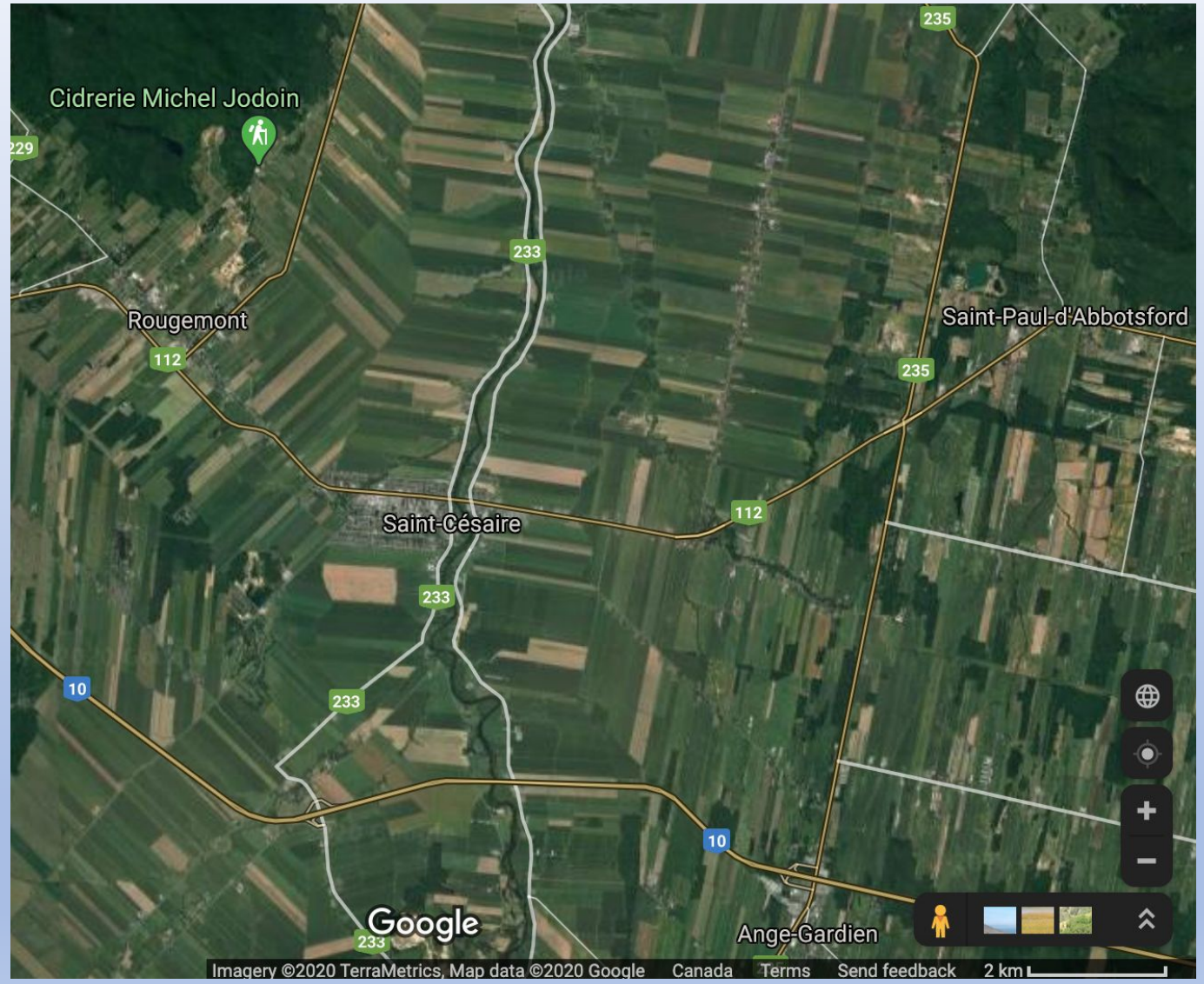
- Increase the Freedom to Farm.
- Avoid Chaos.
- Realize the true potential of Alberta's and Canada's Agriculture industry.
- Get Alberta's consumers the best products at the best cost.
- Secure the future of these sectors for years to come.

LIBERTAS ALBERTA

The Real Reason why Supply Management persists…

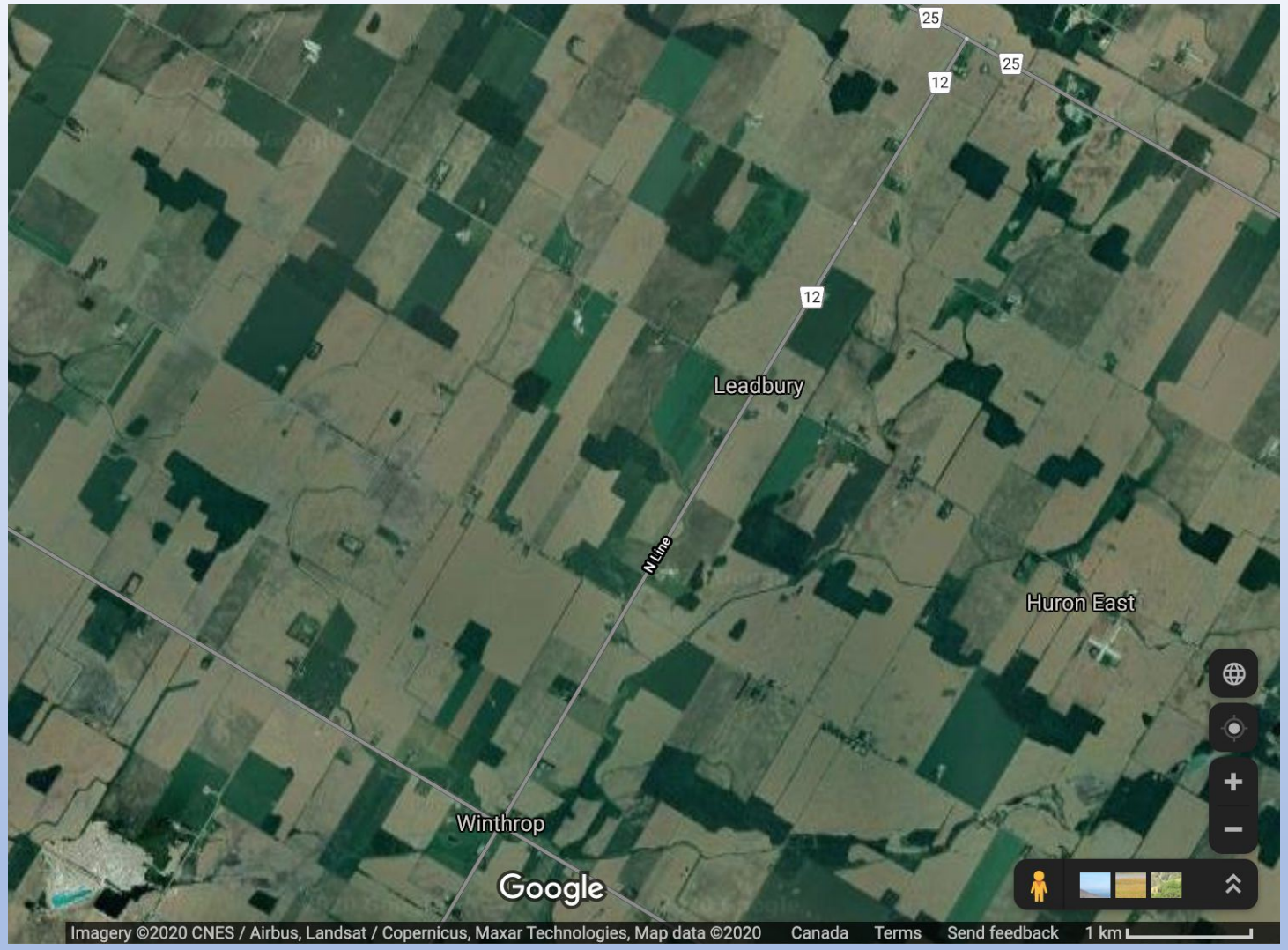
We have pictures and numbers…

LIBERTAS ALBERTA



LIBERTAS ALBERTA

LIBERTAS
ALBERTA



LIBERTAS ALBERTA

Value of Land and Buildings per Acre:					
	2014	2015	2016	2017	2018
Canada	2,367	2,550	2,696	2,867	3,111
Newfoundland and Labrador	3,011	3,178	3,416	3,555	3,806
Prince Edward Island	2,620	2,809	3,054	3,439	3,389
Nova Scotia	1,939	2,012	2,096	2,233	2,379
New Brunsiwick	1,981	2,081	2,157	2,199	2,315
Quebec	4,624	5,032	5,320	5,660	6,087
Ontario	8,705	9,289	9,580	9,997	11,358
Manitoba	1,596	1,767	1,919	2,034	2,112
Saskatchewan	1,026	1,134	1,210	1,287	1,454
Alberta	2,025	2,185	2,354	2,541	2,683
British Columbia	4,951	5,083	5,321	5,744	5,674

LIBERTAS ALBERTA

In other words…

- Farmland prices have increased nationally by 132 per cent since 2007, according to data from Farm Credit Canada (FCC).
- In 2017, the highest hikes came in Saskatchewan (10.2 per cent), Nova Scotia (9.5 per cent) and Ontario (9.4 per cent).

LIBERTAS ALBERTA

<u>THE</u> Problem…

- A highly fractured land base and high per acre costs, makes the dairy (and other Supply managed sectors) highly vulnerable to international competition.
- And much of the land that supplies feed to the dairy industry is not owned or operated by dairy farmers.
- Thus, if the dairy industry was to collapse it would impact far more than the dairy farms…
- It would have a huge negative impact on the entire rural areas that are dependent on agriculture in much of Ontario and Quebec.

LIBERTAS ALBERTA

The Problem continued..

- While this is not as severe an issue in Alberta and the other prairie provinces, the fractured land base is reducing the competitiveness of all of agriculture as the amount of land required by an operation to be economically viable grows.
- Thus, in order to extricate the Albertan and Canadian supply managed sectors from the system in a manner that reduces chaos and financial and social harm **requires** that consolidation of the land base be **made easier**.

LIBERTAS ALBERTA

Let’s Focus on Dairy…

- Because of all the supply managed sectors it is the largest. *($8 billion in farm gate value versus $1.15 billion for eggs)*
- It has greater regional imbalances.
- It has the greatest potential for:
  - Expansion and…
  - Delivering a lower cost of living to Alberta’s consumers.
- And it impacts the greatest amount of production from agricultural land.

LIBERTAS ALBERTA

Some pertinent facts…

- Alberta is a part of the Western Pool – Which includes BC, SK and MB - produces all of the fluid (fresh milk) it needs for its own population.
- But it produces far less of the industrial milk (for processing) than it consumes.
  - ”Quebec supplied $445 million of milk, cheese, butter and ice cream to Alberta in 2015. Alberta dairy farmers also make those products, but they’re still selling only about $275 million in their home province.”
  - This is because historically that is where the great majority of Canada’s milk processing capacity exists.
  - Supply management price-setting in Alberta has not created enough of a price differential to make additional processing in Alberta and the West feasible.

LIBERTAS ALBERTA

Some more pertinent facts…

- Currently pricing is determined by “negotiations” between producers and processors with the goal of guaranteeing a profit for the producer.
- No large incentive for producers to increase demand by reducing the price.

LIBERTAS ALBERTA

And some generally agreed upon assertions…

- Left to an open market it is obvious that Alberta and the other prairie provinces would be able to produce milk at a price significantly lower than in Eastern Canada.
- And that in an open free market - given time - these same provinces and BC could produce milk at a cost that would be competitive with countries that currently export to the Asian market – Australia and New Zealand.

LIBERTAS ALBERTA

Why?

Unrealized Economies of scale:

- The profile of Canadian farms is more similar to that of European and north-eastern American farms than it is to the profile of farms in the western U.S. and Oceania.
- For example, with the size of the herds in the western United States (over 1,000 cows), Canada would barely have 940 dairy farms,
- and only 340 farms would be needed in Quebec, instead of the some 5,050 still active today, to produce the same quality of milk.

LIBERTAS ALBERTA

More about Quebec…

- Quebec's dairy farms have an average herd of 70 cows and deliver nearly 600,000 litres of milk per year.
  - In Canada, the average herd is 92 cows.
  - Quebec has approximately 5,050 dairy farms throughout its farmable territory compared to some 10,500 in the entire country of Canada.
  - (Average herd size outside of Quebec – 116 – 66% larger.)
- The number of farms involved in all types of production is currently in decline in practically every area of the world.
  - The Quebec dairy sector is no exception.
  - However, the rationalization rate observed in Quebec is generally equal to or slower than that of most other countries with a large volume of milk production.

LIBERTAS ALBERTA

So…

How do the Western Provinces increase their production of milk within the Canadian Supply Management system?

LIBERTAS ALBERTA

By <u>Maximizing</u> Economies of Scale…

For Albertan and Western Canadian Dairy producers to get to more optimal sizes there needs to be:

a consolidation in the number of producers

and/or

an increase in the market for milk.

LIBERTAS ALBERTA

Maximizing Economies of Scale

And the only way to largely **minimize the former and maximize the latter** is to **export to the Pacific market**.

And that **can only be** achieved by reducing the price of milk and that means increasing the efficiency of production

LIBERTAS ALBERTA

The opportunities…

- Declining cost of production will lead to the following **positive** developments:
  - Increased production especially in industrial milk as it replaces imported product.
  - Reduced costs to Alberta's consumers of dairy products
  - More local processing resulting in more economic benefit and employment in Alberta.

LIBERTAS ALBERTA

Domestic Opportunity…

- ”Quebec supplied $445 million of milk, cheese, butter and ice cream to Alberta in 2015. Alberta dairy farmers also make those products, but they’re still selling only about $275 million in their home province.”
- AB milk prices are set much in line with the rest of Canada – stifling expansion of dairy processing industry. (And exports.)

LIBERTAS ALBERTA

Export Opportunity…

More competitive prices will mean more export opportunity.

- NZ 95% of production is exported
- Starting in May 2016, the New Zealand stock exchange began trading milk price futures and options contracts. Global demand for milk products is expected to grow at a rate of 3.7 per cent
- AB should work in conjunction with the 3 other members of the Western Pool or break from them and work within a provincial quota.

LIBERTAS ALBERTA

Better Trade Relations…

- Removes a serious source of friction between Canada and its trading partners around the globe
- Avoids the chaos that a sudden capitulation on supply management at the trade table would cause
  - The number of dairy farms continues to decline, concessions have been made with the US and others and that trend will continue – not reverse. Thus the supply managed sector's lobbying power is strong but it is weakening.
  - Unlike Australia Supply management it is a source of severe regional friction within Canada.

LIBERTAS ALBERTA

Freedom to Farm…

- Makes the Albertan/Canadian Dairy sector sustainable into the future
- Allows room for new entrants and the dynamism they will bring

LIBERTAS ALBERTA

Goals of reforming supply management

- Expand production
- Reduce cost to consumers
- Provide a pathway for producers to be more efficient – read: increase economies of scale and income.
- Become a global competitor in dairy exports
- Do so with a minimum of chaos in the entire Agriculture sector - not just supply managed producers.

LIBERTAS ALBERTA

What we know Alberta can do

It has the freedom to regulate how the national allotment of quota to the province is managed within its borders.

- So it can remove/phase out the **Per Farm Quota** system.
- Encouraging growth in demand in either fluid or industrial milk within Alberta means a higher amount of quota for the province.
  - In fluid Milk this is 100% Alberta produced. It is currently less than 50% of the processed product.
  - The reason why Quebec has more industrial quota than it consumes is because that's where the processing is.

LIBERTAS ALBERTA

This can be done by…

- Phasing out **per farm** quotas over a long time period.
- Bring in a provincial quota auction to fill the void created as the Per Farm Quotas are phased out and to create a free market within the province (or the Western Pool - if the other members wish to participate.)
- A free market will – as all free markets do – drive down costs, increase supply.

LIBERTAS ALBERTA

More Specifically…

- Freeze / provide a **minimum value of Per Farm Q**uota at pre-regulatory change prices (inflation adjusted)
  - Current value of all quota in Alberta is $5 billion.
- Retire 5% or the Per Farm Quota every year for 20 years.
- Provide loan guarantees and other risk mitigation tools for producers wishing to purchase Per Farm Quota from another producer.
  - Allows Operators who wish to expand to acquire Quota from those who wish to exit.
- Provide Loan guarantees etc. for new construction, and land acquisition relating to expansion of dairy operations.

LIBERTAS ALBERTA

More Specifics…

- Freeze / provide a **minimum value of Per Farm Quota** at pre-regulatory change prices (inflation-adjusted)
- Provide loan guarantees and other risk mitigation tools for producers wishing to purchase per-farm quota from another producer
- Provide Loan guarantees etc. for new construction, and land acquisition relating to expansion of dairy operations

LIBERTAS ALBERTA

More Specifics part 2…

Work with the Federal government and the other provinces to permit the creation of Agricultural Real Estate Investment Trusts (Ag REITS).

- Makes consolidation of the land base far easier.
- This would greatly boost liquidity in the farm real estate market and see an influx of investment capital.
- An it would remove a huge barrier to new entrants.

LIBERTAS ALBERTA

More Specifics part 3…

- The price to domestic customers would be a blend of both the Per Farm Quota price and the auction price of all the milk sold domestically.
- Any milk for export to would be sold at the auction price if trade regulation permits it.

LIBERTAS ALBERTA

Not unprecedented benefits of change…

- New Zealand's is the world's eighth largest milk producer, with about 3% of world production in the 2016/17 dairy season. Most of this exported, … approximately 30% of the world's dairy exports.
  - 95% of production is exported
- Dairy accounts for one in every three dollars earned by New Zealand for exporting goods, and approximately 20% of New Zealand's total goods and services export earnings.
- The NZ Dairy Industry Restructuring Act 2001, which established the current deregulated regulatory framework for the industry.
  - NZ milk production increased by 114% from 1999-2019.
- Australia abandoned its supply management system in 2000.
  - And went from near zero exported product to 50% of production being for export.

LIBERTAS ALBERTA

Thank You

LIBERTAS
ALBERTA

H-E-B Select Ingredients Whole Milk, 1 gal

★★★★☆ (1)

$3.18 each ($0.03/oz)

Beatrice,
Homo Milk Jug
(4 L)

$5.03ea
$0.13/ 100mL

Lucerne Milk Whole 1 Gallon - 128 Fl. Oz.

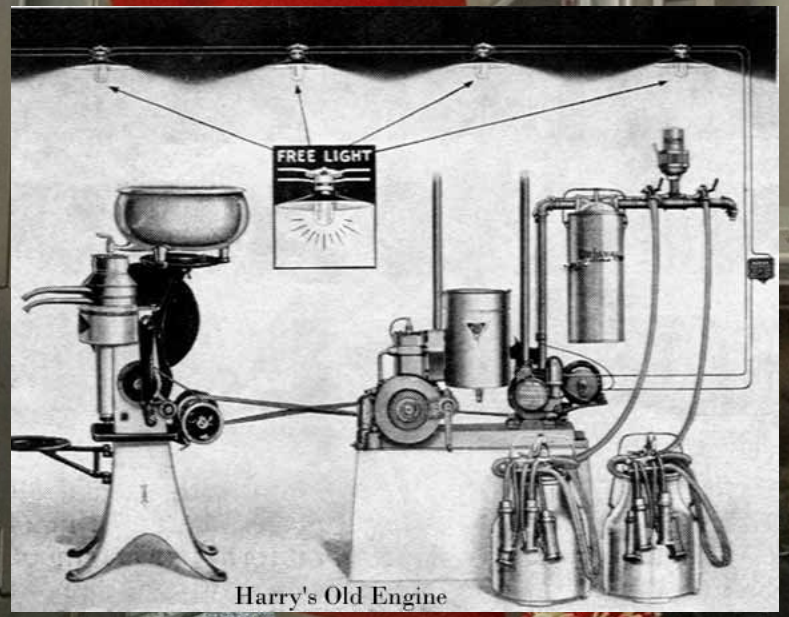
($0.02 / Fl.oz)

$2.69

ALBERTA

- The reason why resistance to change
- The reason why it was brought in
- Freedom to farm
- Compare ab to montana prices
- NZ exports
- Missed opportunity
- Imputed subsidy
- Quebec dairy family

LIBERTAS ALBERTA



Harry's Old Engine

ALBERTA

Markets	Canada [Edit]	United States [Edit]	
Milk (regular), (1 liter)	2.34 C$ (1.77 $)	1.09 C$ (0.82 $)	-53.60 %
Loaf of Fresh White Bread (500g)	2.86 C$ (2.16 $)	3.47 C$ (2.62 $)	+21.34 %
Rice (white), (1kg)	3.86 C$ (2.91 $)	5.07 C$ (3.83 $)	+31.37 %
Eggs (regular) (12)	3.32 C$ (2.50 $)	2.99 C$ (2.26 $)	-9.74 %
Local Cheese (1kg)	12.19 C$ (9.20 $)	13.84 C$ (10.44 $)	+13.51 %
Chicken Fillets (1kg)	13.04 C$ (9.84 $)	11.19 C$ (8.45 $)	-14.21 %
Beef Round (1kg) (or Equivalent Back Leg Red Meat)	14.41 C$ (10.88 $)	15.21 C$ (11.48 $)	+5.53 %
Apples (1kg)	3.90 C$ (2.95 $)	5.93 C$ (4.48 $)	+52.09 %
Banana (1kg)	1.67 C$ (1.26 $)	2.03 C$ (1.53 $)	+21.48 %
Oranges (1kg)	3.89 C$ (2.94 $)	5.23 C$ (3.95 $)	+34.60 %
Tomato (1kg)	3.93 C$ (2.96 $)	5.35 C$ (4.04 $)	+36.38 %
Potato (1kg)	2.68 C$ (2.02 $)	3.41 C$ (2.58 $)	+27.32 %
Onion (1kg)	2.53 C$ (1.91 $)	3.44 C$ (2.60 $)	+35.90 %
Lettuce (1 head)	2.48 C$ (1.87 $)	2.07 C$ (1.57 $)	-16.29 %

RTA

- https://www.numbeo.com/cost-of-living/compare_countries_result.jsp?country1=Canada&country2=United+States

LIBERTAS ALBERTA