MYTHBUSTING 101: Supply Management is NOT a Tax on the Poor

February 3, 2017 Aline Porrior

Have you ever heard someone say that supply management is a tax on the poor? Skeptics, politicians and media personalities have been buzzing about it. But, we are here to tell you the truth: supply management is NOT a tax on the poor. To help explain, our mythbusting team got together to give you the low down on everything supply management and the "tax on the poor" myth.

The answer is simple: supply management has <u>nothing</u> to do with the prices you pay at the store for dairy, eggs and poultry products.

Supply management helps to avoid the price volatility that comes from over- and under-supplying the market, thus enabling consumers to have a reliable supply of local, fresh, high-quality food that remains at a stable price. For example, from 2012 to 2016, the price of chicken only rose 7.3% while beef and pork (non-supply managed sectors) prices rose 33.0% and 19.5% respectively. This stability is thanks to supply management, which helps avoid roller-coaster prices.

In fact, dismantling supply management would not mean savings for Canadian consumers. There are several steps between the farmer and the retailer: the processors, further processors, distributors, transportation companies, marketers and retailers, who all have to meet their margins. It is actually the retailers and restauranteurs who set prices, with many factors in mind such as: local costs, local income, and local demographics. That's why the price of chicken can vary wildly from store to store. For example, in Ottawa, Ontario, the price of a boneless, skinless chicken breast can range from $8.80 to $26.43 per kg – an almost $18 price difference for the same product. The farmer who produced that product received the exact same amount irrespective of its final cost.

Farmers only receive $1.56 per kg – that's not much, and it mainly covers the cost of feed and chicks. This $1.56 per kg is what we call the live price, and since 2011, it has been steadily declining by 2.4%.

Farmers often get the blame for the rising prices we pay at the grocery store—but with consumers paying more and chicken farmers getting less, it's clear that there's no connection.

The reality is, dismantling supply management would not mean that consumers would see a reduction in the price of dairy, poultry and egg products – in fact, the opposite may be true. New Zealand dismantled their supply management system in 2001, and consumers have yet to see the price of milk go down. The average price for 2 litres of milk increased by 11.3% between May 2013 and May 2015. New Zealand's consumers haven't seen any savings from dismantling the system.

LET'S REVIEW THE FACTS:

- Supply management creates stable prices at the farm gate.
- Retailers and restauranteurs are the ones that set the prices you pay for your food.
- Despite rising prices at the store and in restaurants, farmers are getting less for their products, clearly demonstrating there is no connection between retail prices and the live price they receive.
- Australia and New Zealand are prime examples of how dismantling supply management would not benefit consumers. Not only did they not see any savings, they are now faced with higher prices.

Supply management is not a tax on the poor.

Want us to bust some other supply management myths? Send us your questions via twitter using the hashtag #IHeartChickenFarmers – stay tuned to see if your myth gets busted!