

Supply Management: Most Canadians say scrapping system should be on the table during NAFTA talks

Canadians know little about supply management; views differ between consumer, policy perspectives

August 2, 2017 – As Canadian trade officials prepare to face off against their US counterparts in two weeks, most people in this country say scrapping the current supply management system should be – at minimum – on the negotiating table during the upcoming NAFTA talks.

Indeed, while just one-quarter of Canadians (26%) would opt to scrap the current regulatory framework for Canadian agriculture producers outright, a plurality (45%) are persuaded to see it used as a trading piece, but only as a last resort, if negotiations get tough.

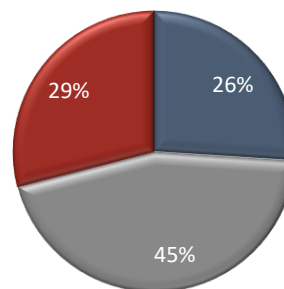
Meantime, a significant segment (29%) indicate they are committed to keeping this structure in place for Canadian farmers, even if it means facing retaliation from the Trump administration.

The latest study from the Angus Reid Institute also indicates these views are subject to a low level of knowledge about the supply management policy – and the lens through which Canadians view the issue.

Only a handful of Canadians (4%) say they know “a lot” about the system, while a full majority say they know “nothing at all about it”.

As consumers, faced with a hypothetical choice between the current price for supply managed goods or a potentially lower, unregulated price, two-thirds say they would opt for the cheaper option.

As you may know, the U.S. government is formally seeking to renegotiate NAFTA. Given that the NAFTA renegotiation may well focus on Canada’s supply management system, should Canada:



- Offer to end supply management immediately, we should be scrapping it anyway
- Use supply management as a bargaining chip in negotiations, but only as a last resort
- Stand firm on supply management, even if it means the United States may retaliate

METHODOLOGY:

The Angus Reid Institute conducted an online survey from June 8 – 13, 2017, among a representative randomized sample of 1,512, and from July 26 – 27 among a representative randomized sample of 1,508, Canadian adults who are members of the [Angus Reid Forum](#). For comparison purposes only, a probability sample of this size would carry a margin of error of +/- 2.5 percentage points, 19 times out of 20. Discrepancies in or between totals are due to rounding. The survey was self-commissioned and paid for by ARI. Detailed tables are found at the end of this release.

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As citizens, however, respondents are sympathetic to arguments about income and market stability for the nation's farmers. Indeed – separate from the conversation about supply management's place in a NAFTA renegotiation – just one-third say they oppose supply management on all currently regulated agricultural products.

Key Findings:

- Canadians are of three mindsets when it comes to supply management. One-third (34%) support the continued regulation of all currently supply managed products (eggs, poultry, dairy), while one-third (33%) oppose it on the same set of products. Another third (33%) either hold mixed feelings, or are unsure.
- When presented with arguments for and against supply management and then offered two prices – one, the current rate, and another, a reduced rate that research suggests would be a result of scrapping the system – two-thirds of Canadians opt for the cheaper price for milk, cheese, eggs, and chicken
- Canadians are divided on the issue of quality control in a non-supply managed market: 35 per cent say the quality of dairy, eggs and chicken will suffer, 38 per cent say it won't be negatively affected
- A plurality (44%) say Canadian farms would operate more efficiently were government to scrap supply management; three-in-ten (29%) fear many farmers would leave the industry if regulatory support ended
- More Canadians support than oppose the idea of compensating farmers for the lost value of their quotas through a small tax of 5 to 10 per cent on previously supply-managed goods

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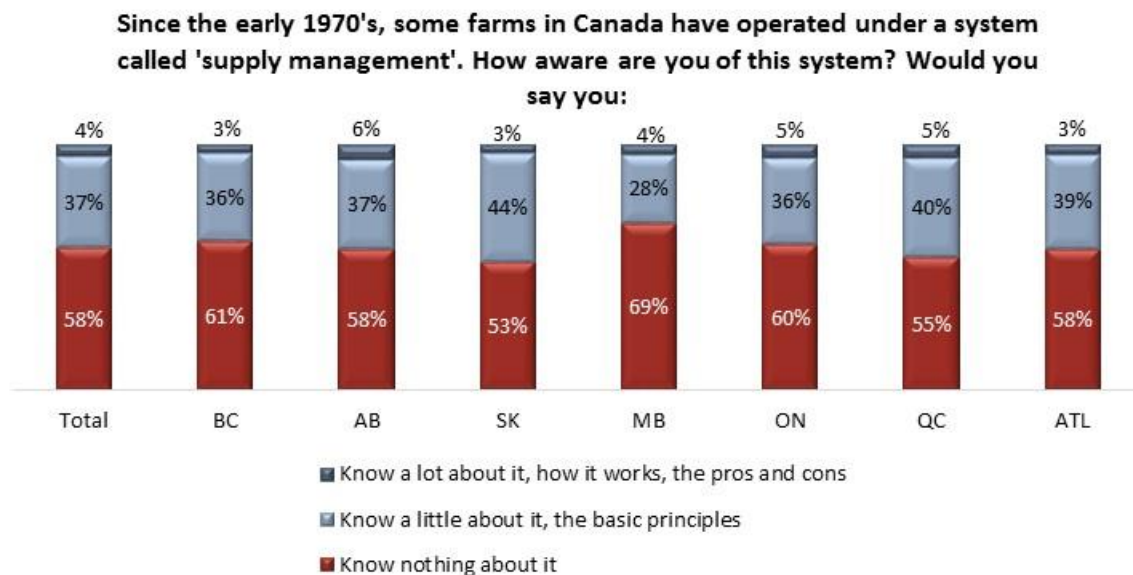
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Part 1 – Supply Who? Canadians largely uninformed about supply management

In brief, supply management is an agricultural regulation policy in Canada affecting poultry, dairy, and egg farmers. The supply of these products is restricted through quotas – the amount a farmer can produce. Imports of these goods are controlled with heavy tariffs. The import duty on milk, for example, is about 270 per cent.

It's a well-known policy among Ottawa's halls of power, where lobbyists for dairy farmers and others in managed industries are big players in federal political conversations. Most Canadians, however, know little, if anything, about supply management.

When asked to share their level of understanding of this system – one that has been in place since the 1970's – just 4 per cent say they know "a lot" about it, while full majorities in every province say they know "nothing about it at all":



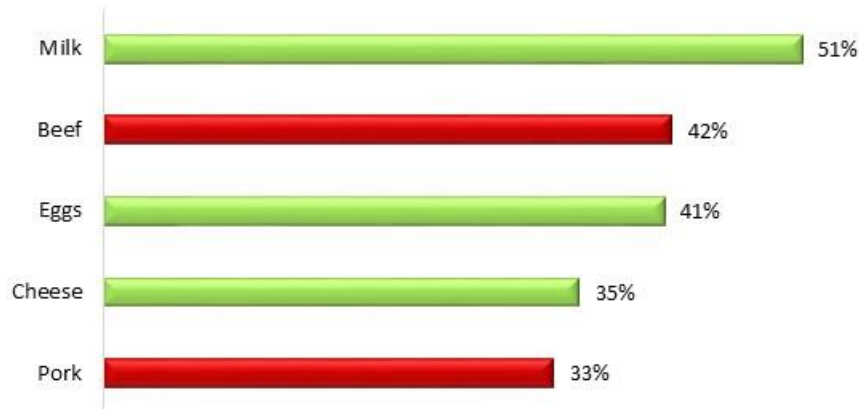
The Angus Reid Institute also asked respondents to identify which products – from a list that included milk, eggs, cheese, beef and pork – are subject to supply management quotas. Milk, cheese and eggs are, while beef and pork are not.

Only half of Canadians (51%) correctly identified milk as one of the three products on the list that are supply-managed. Beef, which does not have the same production limits, was the product the second-largest number of Canadians thought was subject to supply management.

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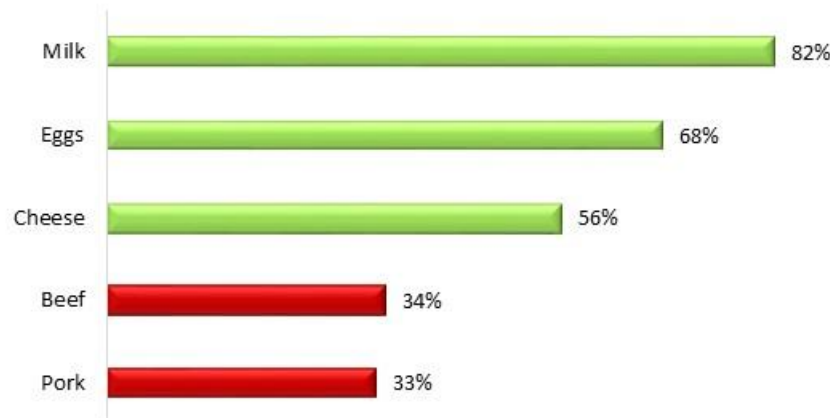
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Percentage who identify each as subject to production limits
due to supply management:
Green = Correctly Identified
Red = Incorrectly Identified



Even among those who self-identified as knowing “a lot” about the supply management system (including how it works and the debates on each side), one-in-three incorrectly chose pork and beef. No more than eight-in-ten named any of the products correctly:

Percentage who identify each as subject to production limits
due to supply management, among those who say they
'know a lot about supply management':
Green = Correctly Identified
Red = Incorrectly Identified



*small sample size (n=67)

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Part 2 – Canadians as Consumers: Most want free-market pricing

Supply management [proponents](#) have long argued the system creates reliable profits for farmers, which, in turn, sustains the quality of products and the livelihoods of those working in the industry. For [opponents](#), much of the debate comes down to consumer choice and price.

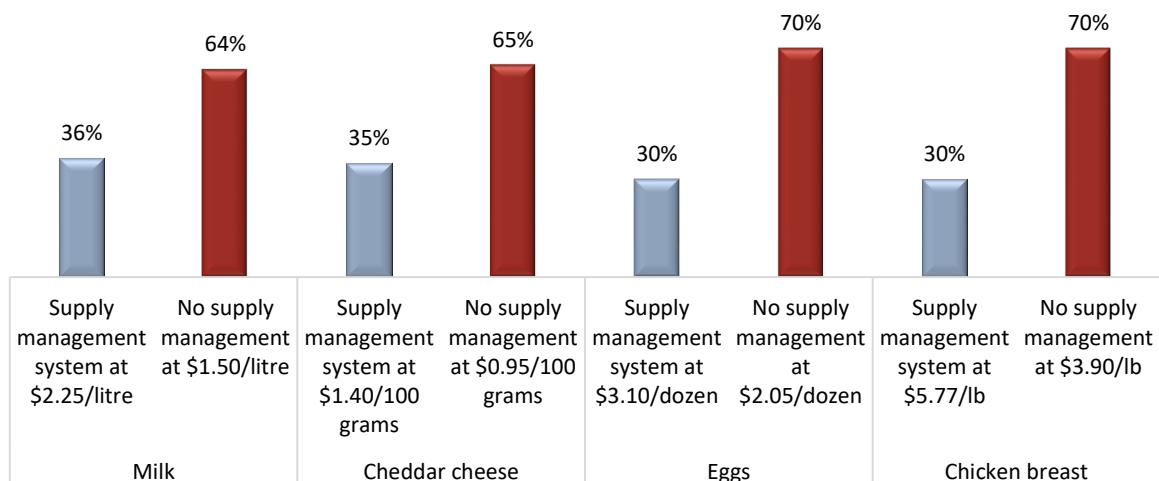
Estimates of the impact supply management has on food costs can vary.

A 2012 study from the University of Calgary's School of Public Policy concluded that Canadians are paying [1.5-to-3 times](#) more on supply-managed products than they would be without supply management. This is something [many Canadians say](#) they have noticed when shopping in the United States.

After outlining both sides of the supply management debate to respondents ([see questionnaire here](#)), the Angus Reid Institute presented Canadians with two price points for supply managed goods – the current average supply-managed price (drawn at the time the survey was fielded from [Statistics Canada](#) and [Numbeo](#)) and the lower-end estimate of a price at one-third less suggested by the research.

In response to this hypothetical scenario, one-third of Canadians say they would continue paying the current prices. But the majority, on each product, would opt for the lower price.

Considering what you know about the pros and cons of supply management, if you had the choice between supply managed milk versus not, which would you buy:



In each case, it is younger Canadians (those aged 18-34) who are most likely to say they would continue to pay the price for regulation. But higher support levels among this group do not reach a majority:

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Considering what you know about the pros and cons of supply management, if you had the choice between supply managed [milk/cheese/eggs/chicken breast] versus not, which would you buy:

| | Total (1,515) | Age Group | | |
|---|------------------|----------------|----------------|--------------|
| | | 18-34 (438) | 35-54 (527) | 55+ (547) |
| Milk under the supply management system at \$2.25/litre | 36% | 43% | 37% | 31% |
| Milk with no supply management at \$1.50/litre | 64% | 57% | 63% | 69% |
| Cheddar cheese under the supply management system at \$1.40/100 grams | 35% | 40% | 38% | 29% |
| Cheddar cheese with no supply management at \$0.95/100 grams | 65% | 60% | 62% | 71% |
| Eggs under the supply management system at \$3.10/dozen | 30% | 37% | 30% | 25% |
| Eggs with no supply management at \$2.05/dozen | 70% | 63% | 70% | 75% |
| Chicken breast under the supply management system at \$5.77/lb | 30% | 39% | 30% | 23% |
| Chicken breast with no supply management at \$3.90/lb | 70% | 61% | 70% | 77% |

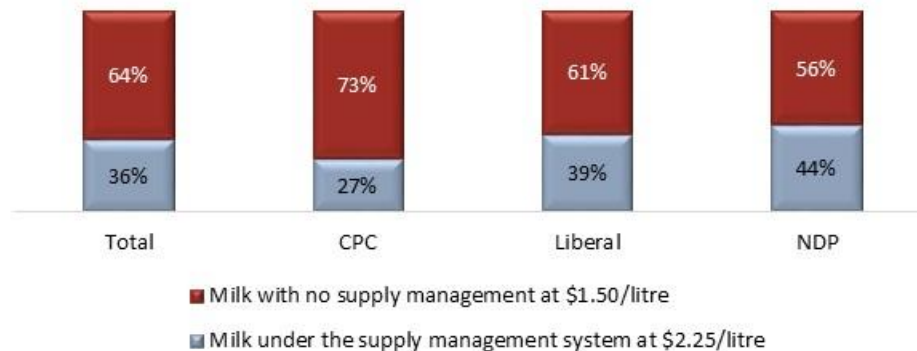
Of the three products, milk is the one Canadians are most open to paying more for, a choice possibly related to concerns over the use of [growth hormone](#) in American dairy cows. The hormone is banned in Canada.

Still, close to two-thirds of Canadians (64%) say they would prefer the proposed free-market rate for milk, rather than the current, supply-managed price. Past New Democratic Party voters are most likely to choose the more-expensive option (44% do so):

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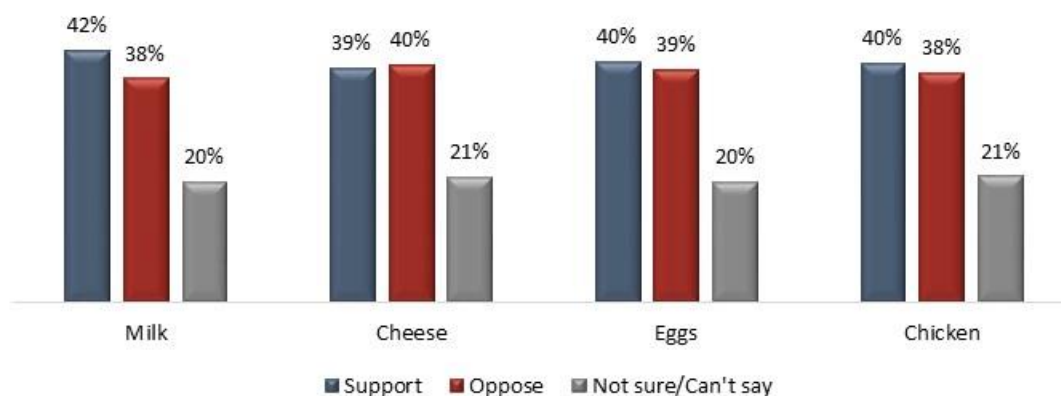
Considering what you know about the pros and cons of supply management, if you had the choice between supply managed milk versus not, which would you buy:



Part 3 – Canadians as Citizens: Three mindsets when it comes to supply management policy

This comprehensive study also canvassed Canadians on continued regulation of milk, cheese, eggs, and chicken – regardless of how much they'd pay. In each case, four-in-ten respondents are on each side of the fence, while the remaining one-in-five say they're unsure:

And, overall, based on what you've seen, heard or read, do you support or oppose continuing supply management for each of the following:



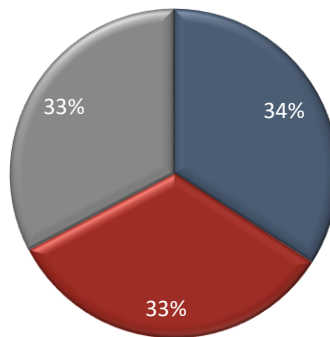
By categorizing these responses into those who say 'support' for all food products, those who say 'oppose' for all items, and those who are either mixed – supporting regulation for some goods and

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opposing others – or unsure, three mindsets emerge with respect to supply management support in Canada:

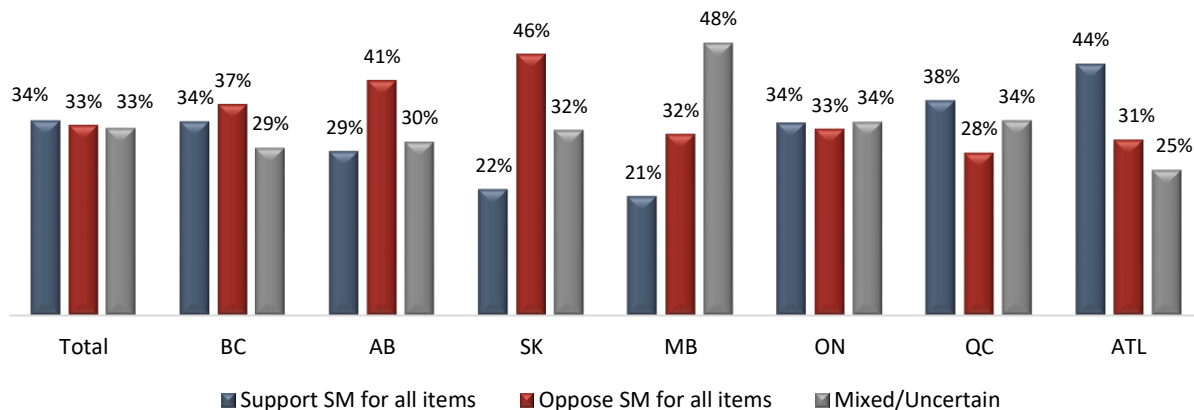
Opinion of Supply Management



■ Support SM for all items ■ Oppose SM for all items ■ Mixed/Uncertain

Although Canadians are split evenly into three groups on this issue, regional variance is evident. Alberta and Saskatchewan are home to higher opposition than elsewhere in the country, while the largest proportions of supporters are found in Quebec and Atlantic Canada:

Mindsets on Supply Management by Region

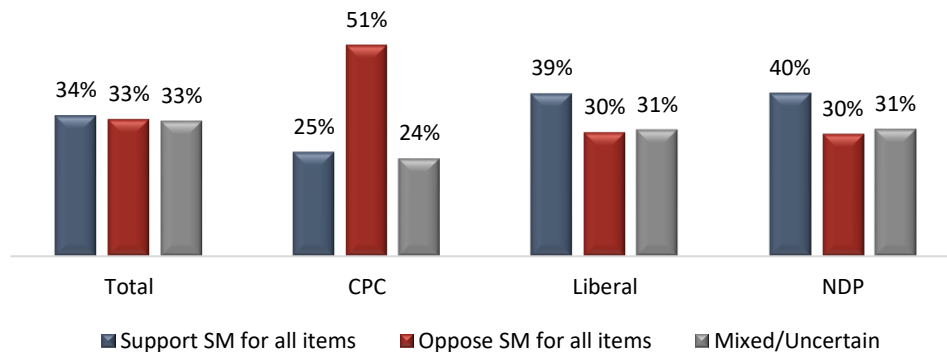


Politically, past Conservative voters are significantly more likely to oppose supply management. Half of CPC supporters (51%) are of this “opposed in all cases” mindset, while two-in-five Liberals and New Democrats are inclined to support the current system:

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Mindsets on Supply Management by Federal Vote Last



Supporters are significantly more likely to say that they would continue paying the higher, regulated price for supply-managed goods, though their likelihood of saying this peaks at two-thirds (67%) for milk. By contrast, at least nine-in-ten opponents say they would pay the hypothetical lower price with no supply management:

| Considering what you know about the pros and cons of supply management, if you had the choice between supply managed [milk/eggs/chicken breast] versus not, which would you buy: | | | | |
|--|------------------|-----------------------------------|----------------------------------|--------------------------|
| | Total (1,515) | Position on Supply Management | | |
| | | Support SM for all items (515) | Oppose SM for all items (502) | Mixed/Uncertain (495) |
| Milk under the supply management system at \$2.25/litre | 36% | 67% | 8% | 34% |
| Milk with no supply management at \$1.50/litre | 64% | 33% | 92% | 66% |
| Eggs under the supply management system at \$3.10/dozen | 30% | 59% | 5% | 25% |
| Eggs with no supply management at \$2.05/dozen | 70% | 41% | 95% | 75% |
| Chicken breast under the supply management system at \$5.77/lb | 30% | 59% | 3% | 27% |
| Chicken breast with no supply management at \$3.90/lb | 70% | 41% | 97% | 73% |

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Part 4 – Arguments for and against supply management – what resonates?

On quality and choice

Proponents of supply management often note that one of the fundamental benefits of the system is that it helps to sustain high quality products by reducing the need to cut corners in the production process.

Canadians are circumspect about this argument. Almost four-in-ten (38%) disagree with the idea that removing supply management will hamper quality. A slightly smaller group (35%) shares the concern that Canadian consumers will end up buying inferior food if supply management ends:

Do you agree or disagree with the following statement: "The quality of these products is going to suffer if we get rid of supply management"



Canadians are more likely to agree that they will benefit from more choice at the grocery store were supply management scrapped. More than half (56%) do, a three-to-one ratio over those who disagree (16%):

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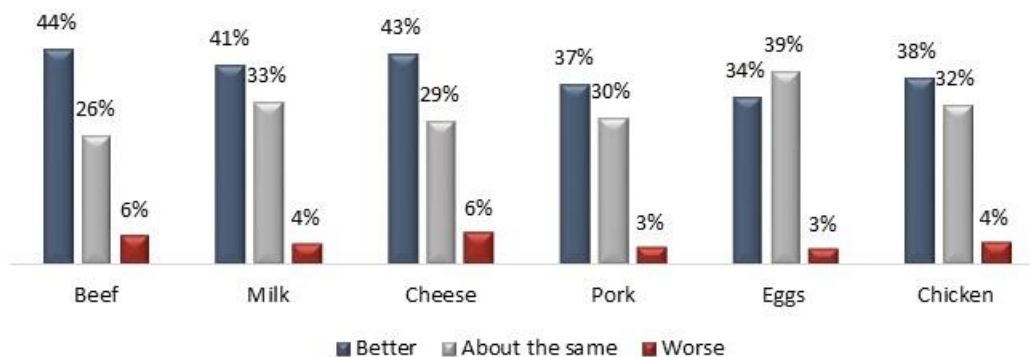
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Do you agree or disagree with the following statement: Canadians will benefit from more choice at the grocery store if supply management is ended



American trade representatives reportedly may ask for more access to the dairy and poultry markets during NAFTA renegotiations this summer. While this would likely bring the additional choice that just over half of Canadians seek, the aforementioned quality concerns would also come to light. Asked for their perceptions of the difference between American and Canadian products, both supply-managed and non-supply-managed, it appears that many Canadians prefer their homegrown choices:

Would you say each of the following Canadian products is better, worse, or the same as the American product?

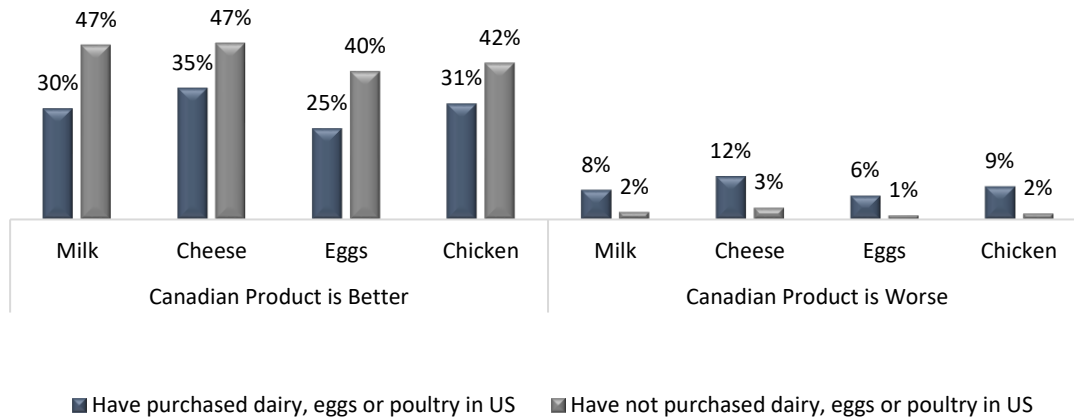


This however, is largely perception without experience. Just 37 per cent of respondents say they have travelled to the United States to purchase dairy, eggs or poultry products. Looking at responses from this group, the number saying Canadian products are better drops and the number saying Canadian goods are worse, increases notably:

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Would you say each of the following Canadian products is better, worse, or the same as the American product?
(For those who have purchased in US, n= 561)



What about the farmers?

Canadian farmers have been protected from foreign competition since the 1970's. Through an intensive tariff system on supply-managed products, imports have been held at low levels. Cheese, for example, has been constrained to about 8 per cent of the market, though the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) will increase that share slightly.

Part of the rationale for supply management at its inception was the protection of small family farms. In 1976, Canada had more than 96,000 dairy farmers. Today, that number has been reduced to less than 15,000.

In that same time period, the number of cows per farm has increased three-fold, and milk output per cow has doubled. Rather than helping new small family farmers enter the industry, critics claim, supply management now acts as a barrier because of the high cost of purchasing a quota that would allow them to begin producing milk.

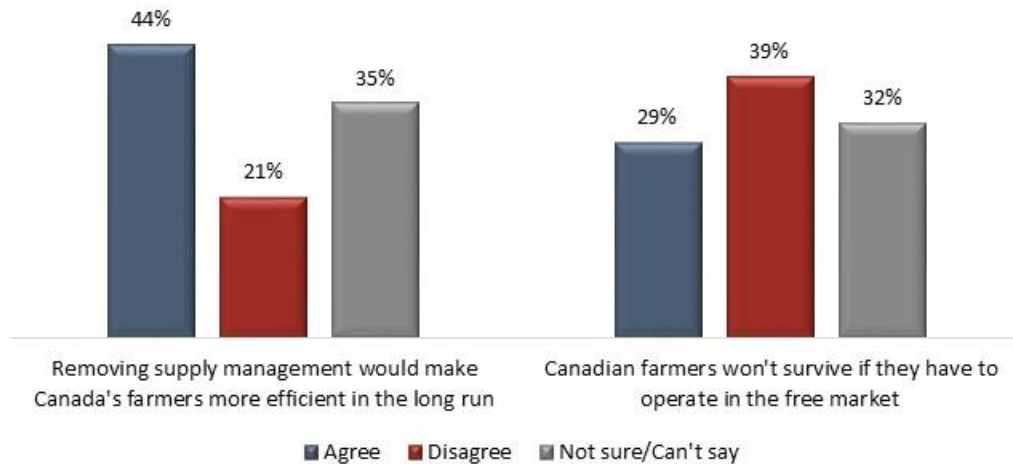
Canadians are divided over what would happen to farmers if supply management ended. Four-in-ten (39%) disagree with the notion Canadian farmers couldn't survive in a free market, while three-in-ten (29%) agree this is a concern.

As to the argument that removing supply management would make Canada's farmers more efficient in the long run? 44 per cent agree, compared to 21 per cent who disagree.

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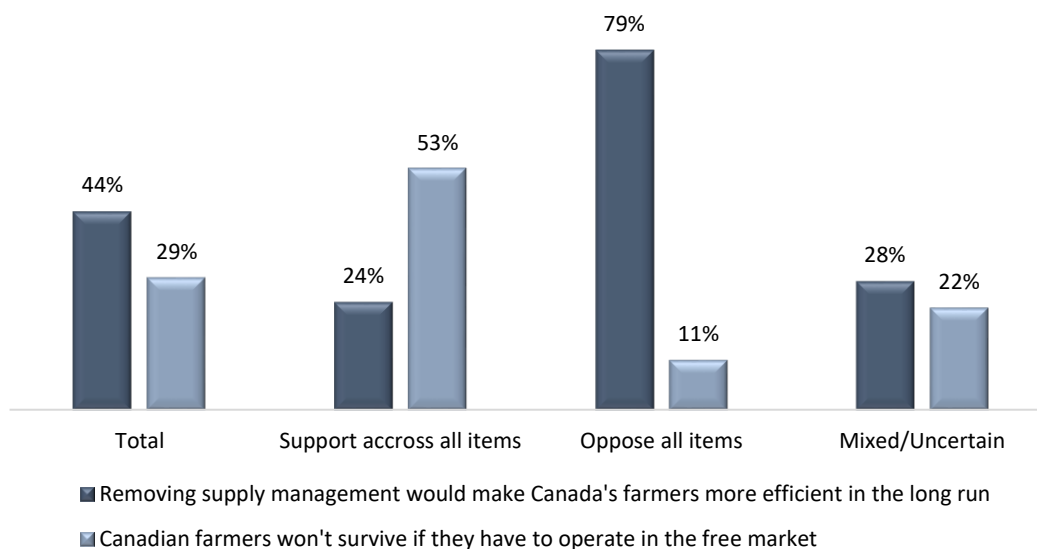
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Do you agree or disagree with the following statements?



These views become more intense depending upon which side of the supply management aisle Canadians are on. Eight-in-ten (79%) opponents say that removing supply management would make Canada's farmers more efficient in the long term, while half of those who support the system (53%) say that Canadian farmers won't survive without it:

Percentage of Canadians who agree with the following statements:



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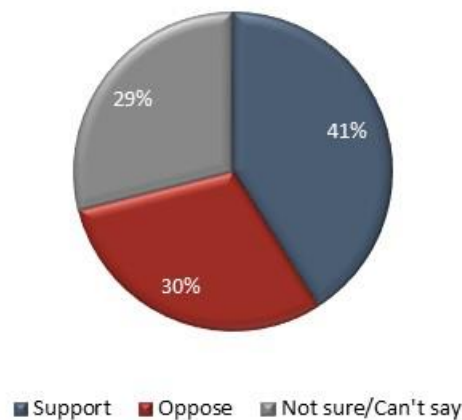
Part 5 – Plurality support for farmer compensation measures

In jurisdictions that have dismantled their government-regulated agricultural industries in the past, the question of transitioning farmers into a freer market has also had to be addressed.

Before the United States left the Trans-Pacific-Partnership in January – throwing the agreement into uncertainty for the 11 remaining nations – TPP negotiations attempted to deal with this problem in Canada. In its original form, the TPP would have opened up 3.25 per cent of the Canadian market to international competition, and provided just over \$4 billion in support and subsidies for the dairy industry to soften the blow.

Asked how they would react if Canada were to end supply management and create a \$4 billion fund to help farmers deal with the transition, a plurality is supportive:

Would you support or oppose the following: Creating a support fund of about \$4 billion to cover lost income for farmers and to compensate farmers for loss in value of their business if they choose to exit the industry

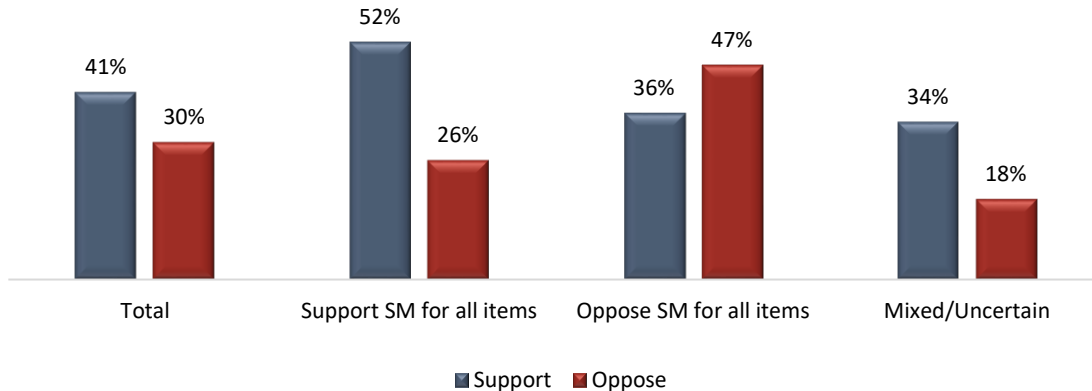


This approach receives majority support from supply management proponents, while those who oppose the system are less keen to help farmers if it is ended:

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Do you support or oppose the following: "Creating a support fund of \$4 billion to cover lost income and to compensate farmers for loss in value of their business if they choose to exit the industry"



It is worth noting, however, that the actual fund amount for farmer compensation may well be much higher. The [Montreal Economic Institute suggested](#) that due to the value of quotas, such a fund should be around \$13 billion. When Maxime Bernier suggested ending supply management during his Conservative Party leadership campaign, [he suggested](#) that farmer compensation would need to be in the range of \$18-28 billion.

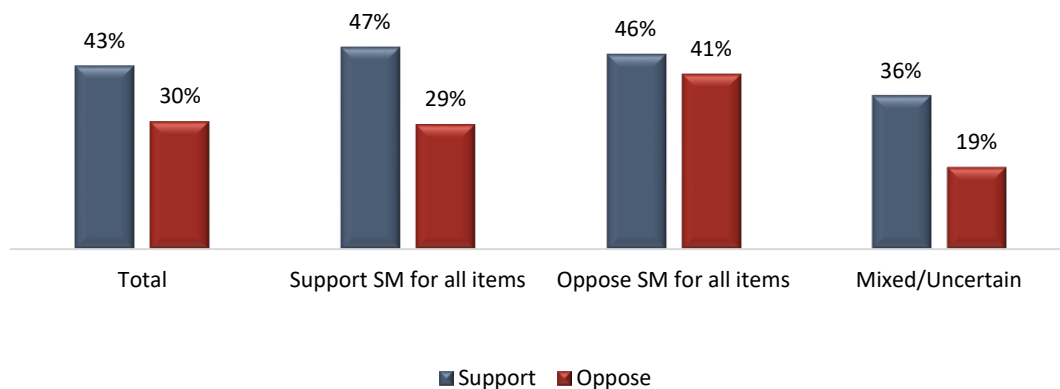
Bernier also suggested a temporary levy to accrue the funds necessary to pay out farmers. Australia used this approach – at a rate of 11 cents per litre over an eight-year period – to compensate its dairy farmers as the country transitioned to a new system.

This survey finds Canadians generally receptive to the idea of a small tax on previously supply-managed goods. Across each of the three groups – supporters, opponents, and those who remain uncertain or mixed about supply management for specific products – the number who say they would support a 5-to-10 per cent levy is higher than the number who say they would oppose it:

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Do you support or oppose the following: "Compensating the lost value of farmer's quota by adding a small tax (5 - 10%) on formerly supply managed goods until the quotas have been paid back"



Part 6 – Supply management and NAFTA renegotiation

The renegotiation of the North America Free Trade Agreement (NAFTA) has been imminent since Donald Trump took office in January. He pushed supply management to the top of the list at a factory in Wisconsin in April [when he stated](#) Canada's policy was "a disgrace".

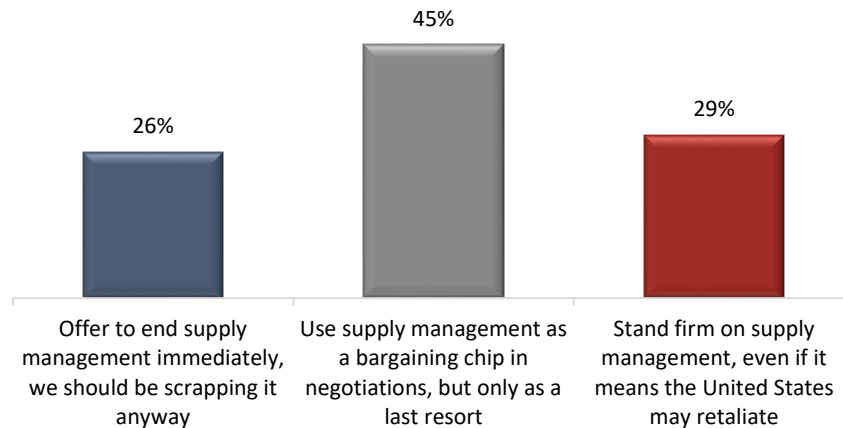
On July 17, the United States released its [list of priorities](#) ahead of NAFTA negotiations, which will take place August 16 to 20 in Washington, DC. While the initial list did not include specific reference to Canada's supply management system, the stated goal of eliminating "non-tariff barriers to U.S. agricultural exports" leaves little room for ambiguity.

If concessions are demanded at the negotiating table, most Canadians seem quite comfortable with the idea of at least talking about scrapping the system. Just three-in-ten (29%) say they would want the government to stand firm in negotiations and protect supply management. One-quarter (26%) say that supply management should be on the chopping block without any resistance, while the largest group (45%) would like to see it used as a bargaining chip in negotiations and ended only as a last resort:

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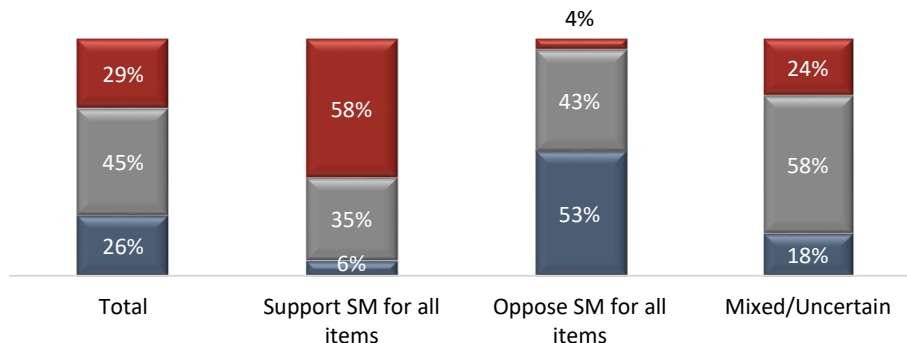
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As you may know, the U.S. government is formally seeking to renegotiate NAFTA. Given that the NAFTA renegotiation may well focus on Canada's supply management system, should Canada:



While the majority of supply management supporters (58%) say it should be untouchable, one-in-three among this group (35%) are open to negotiators using it as a bargaining chip. On the other end of the spectrum, just over half of those who oppose supply management say we should scrap it outright:

Given that the NAFTA renegotiation may well focus on Canada's supply management system, should Canada:



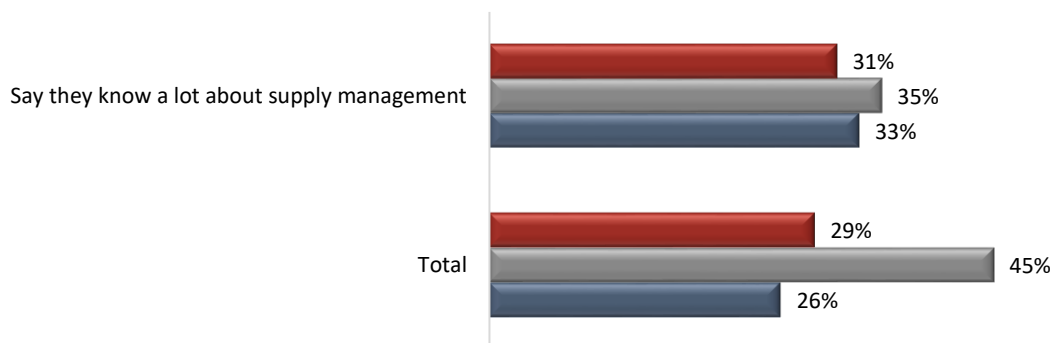
- Stand firm on supply management, even if it means the United States may retaliate
- Use supply management as a bargaining chip in negotiations, but only as a last resort
- Offer to end supply management immediately, we should be scrapping it anyway

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Knowledge of the system doesn't seem to do much to clarify opinion on what Canada should do. Among the handful (4%) who say they know a lot about how supply management works and its pros and cons, roughly one-in-three support each strategy.

As you may know, the U.S. government is formally seeking to renegotiate NAFTA. Given that the NAFTA renegotiation may well focus on Canada's supply management system, should Canada:



- Stand firm on supply management, even if it means the United States may retaliate
- Use supply management as a bargaining chip in negotiations, but only as a last resort
- Offer to end supply management immediately, we should be scrapping it anyway

*The **Angus Reid Institute (ARI)** was founded in October 2014 by pollster and sociologist, Dr. Angus Reid. ARI is a national, not-for-profit, non-partisan public opinion research foundation established to advance education by commissioning, conducting and disseminating to the public accessible and impartial statistical data, research and policy analysis on economics, political science, philanthropy, public administration, domestic and international affairs and other socio-economic issues of importance to Canada and its world.*

For detailed results by age, gender, region, education, and other demographics, [click here.](#)

For detailed results based on knowledge of supply management and support levels, [click here.](#)

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Additional summary table:

| Considering what you know about the pros and cons of supply management, if you had the choice between supply managed [milk/cheddar cheese/eggs/chicken breast] versus not, which would you buy: (Question re-run on July 26/27, 2017) | | | | | | |
|--|------------------|---------------|-----------------|----------------|----------------|--------------|
| Weighted sample sizes | Total (1,508) | Gender | | Age Group | | |
| | | Male (737) | Female (771) | 18-34 (392) | 35-54 (596) | 55+ (612) |
| Milk under the supply management system at \$2.25/litre | 38% | 32% | 44% | 48% | 38% | 32% |
| Milk with no supply management at \$1.50/litre | 62% | 68% | 56% | 52% | 62% | 68% |
| Cheddar cheese under the supply management system at \$1.40/100 grams | 35% | 30% | 41% | 40% | 38% | 29% |
| Cheddar cheese with no supply management at \$0.95/100 grams | 65% | 70% | 59% | 60% | 62% | 71% |
| Eggs under the supply management system at \$3.10/dozen | 33% | 28% | 38% | 41% | 33% | 27% |
| Eggs with no supply management at \$2.05/dozen | 67% | 72% | 62% | 59% | 67% | 73% |
| Chicken breast under the supply management system at \$5.77/lb | 32% | 27% | 36% | 38% | 33% | 25% |
| Chicken breast with no supply management at \$3.90/lb | 68% | 73% | 64% | 62% | 67% | 75% |

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