

IT'S TIME TO...

TAKE A STAND!

A MESSAGE FROM CANADA'S DAIRY FARMERS TO U.S. DAIRY FARMERS

GATT: THE THREAT IS REAL

The current GATT proposal poses a threat to both U.S. and Canadian dairy farmers.

That's because it does not permit any type of border measures other than tariffs. While the GATT seeks to eliminate exceptions that only benefit specific countries, for example, the Section 22 waiver in the U.S., variable levies in the EEC, and the grandfather clause in Switzerland, it also eliminates Article XI.

Article XI is the current GATT rule that allows any country using supply management for a particular commodity to control the level of imports of that commodity. Without import controls, producers have no ability to establish prices based on domestic cost of production.

UNDER THE PROPOSED GATT AGREEMENT, PRICES RECEIVED BY PRODUCERS WILL BECOME DEPENDENT ON WORLD PRICES, CONTINUING SUBSIDY WARS AND FLUCTUATIONS IN CURRENCY EXCHANGE RATES.

A SNAPSHOT OF TODAY'S DAIRY INDUSTRY

IN THE U.S. :

144,000 farms

148.3 billion pounds annual production

10.1 million cows

In the last 10 years, the price of milk in the United States has risen by only 5.6 per cent, while the cost of production has increased by almost 30 per cent.

The U.S. government policy of controlling production through the price paid to producers has driven milk prices below the cost of production, while not achieving the goal of controlling overall production.

Faced with the prospect of continued declining and unstable milk prices and increased dairy imports, American dairy farmers will continue to endure extremely low returns on capital and labor, and the U.S. family dairy farm will gradually disappear.

Without major changes in farm policy, the future of the U.S. dairy industry looks grim at best.

A recent survey by Hoard's Dairyman shows that over 75 per cent of U.S. dairy farmers support some form of supply management system.

IN CANADA :

32,578 farms

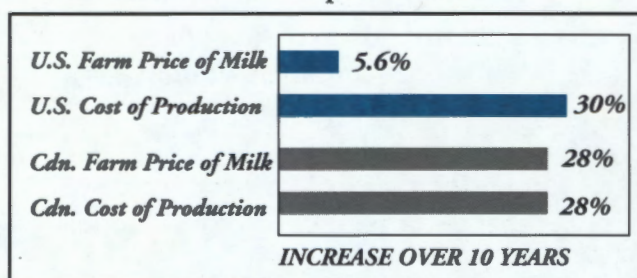
16.1 billion pounds annual production

1.4 million cows

In the last 10 years, the price of milk in Canada has risen by 28 per cent, in line with increases in the cost of production.

Under the Canadian supply management system, Canadian producers receive reasonable prices for milk, mainly from the marketplace rather than from programs financed by taxpayers. Also, Canadian consumers are assured of a constant supply of high quality dairy products at reasonable prices.

The net result is that dairy farmers receive fair returns on their investment and labor. Milk prices are changed in accordance with the cost of production.



Under the Canadian supply management system, milk prices keep pace with the cost of production.

THE CANADIAN SUPPLY MANAGEMENT SYSTEM

Supply management, Canada's comprehensive milk marketing system, is designed to provide a stable and efficient business climate. This allows Canadian dairy farmers to plan, invest and get reasonable incomes from the market.

The History

25 years ago, our governments and industry leaders took bold steps that put us on the road to the most effective and efficient marketing system in the world. They developed a system to stop the historical boom and bust cycles of agriculture and allow farmers to be price-setters rather than the traditional price-takers.

Supply management was the solution to our problems, the same problems U.S. dairy farmers face today – low, unstable milk prices; the demand for government dollars to prop up farm incomes; and product surpluses.

SUPPLY MANAGEMENT MAY BE THE BEST SYSTEM IN OUR IMPERFECT AND DISTORTED WORLD OF TRADE. IT IS AN EFFICIENT SYSTEM THAT SERVES CANADIANS WELL.

How It Works

The three cornerstones of the system are:

1. Import controls

The rules under Article XI of GATT allow historical access to the Canadian market while making it possible to estimate how much milk Canada's dairy farmers should produce.

2. Producers manage production

Producers establish production targets annually. Production levels can be adjusted at any time to ensure adequate supplies for the market. Producers also pay to dispose of any surpluses on world markets.

3. Pricing based on cost of production

This allows efficient farmers the opportunity to recover the costs they have incurred to produce milk, as well as a return for their labor and investment.

The Benefits

Dairy farmers produce enough milk to meet the needs of Canadians but do not create huge surpluses. The Canadian government does not finance the export of any product. Farmers receive reasonable prices for the milk they produce while consumers are assured of a constant supply of high quality dairy products at reasonable prices.

Dairy Farmers of Canada (DFC) is the single national voice for all of Canada's 33,000 dairy farms. Formed in 1934, it was instrumental in establishing Canada's milk supply management program. The main objective of DFC is to promote the interests of the country's dairy farmers by coordinating the actions of dairy farm organizations on national issues and to develop national policies for the Canadian dairy industry.

XI

ARTICLE XI WORKS FOR CANADA

Canada's milk marketing system is one of the few that works inside the general rules of the GATT rather than under a waiver, grandfather clause or other exception.

The section of the GATT that allows the operation of the Canadian system is Article XI:2(c)(i). This section allows quotas on imported products when governmental measures are in place to limit domestic production.

Canada's commitment to limiting imports is accompanied by a commitment not to export any significant amount of our dairy products.

Article XI is not trade-distorting and is consistent with virtually all of the objectives of the proposed GATT deal.

Article XI Must be Clarified

Canadian dairy farmers realize that this 44-year old article is in need of some modernization. We support efforts during the GATT negotiations to clarify Article XI and make it more operationally effective.

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Article X1 – A Replacement for Section 22

Tariffication proposed in the GATT deal means the end of Section 22.

Article XI can be applied to Section 22 commodities, get the U.S. government out of surplus removal programs and allow American farmers to earn reasonable incomes from the market.

If the GATT negotiations are extended, it is critical that the time be used to objectively explore alternatives like the use of Article XI.

Article XI could be an important part of a compromise that would result in more equitable, less subsidized trade and a comprehensive set of enforceable rules. This type of compromise could provide opportunities for commodities like dairy, peanuts and cotton to operate in a domestic environment.

WHAT HAPPENS IF GATT DOESN'T CHANGE ?

To the U.S. Dairy Industry:

Under the terms of any GATT agreement, U.S. dairy farmers will lose the protection of border controls for dairy products under the Section 22 waiver.

When this happens, the U.S. government will be forced to use tariffs as the main means of protecting domestically produced dairy products.

Tariffs mean that U.S. farmers, just like Canadian farmers, would have to accept lower returns if they are to compete with products coming from countries with lower production costs or higher government subsidies. In the U.S., the price paid to producers would continue to be significantly below the cost of production.

To The Canadian Dairy Industry:

If the current GATT proposal remains unchanged, Canadian dairy farmers will lose protection for their products under Article XI.

If this happens, the Canadian system of supply management will disappear, and the Canadian government will be forced to use tariffs as the main means of protecting domestically produced dairy products.

Canadian farmers, like their U.S counterparts, would have to accept lower returns if they are to compete with products coming from countries with lower production costs or higher government subsidies.

If this happens, the Canadian family dairy farm will gradually disappear.

THE SOLUTION

There will be no GATT agreement that permits the U.S. to retain its waiver. There will be a GATT agreement...it is only a matter of time. If affected producers don't like the results of the tariffication proposal, they must identify a winning strategy.

The Canadian government continues to publicly state its strong support for the strengthening and clarification of Article XI. That's because Canadian dairy farmers have been working hard to ensure that the Government of Canada continues to fight for a clarified Article XI in the new GATT agreement.

We believe if Article XI can be clarified, it will allow both U.S. and Canadian farmers the option of using a Canadian-style marketing system to control their own destinies and earn fair incomes from the marketplace.

THE SOLUTION REQUIRES THAT EVERY AMERICAN DAIRY FARMER TAKE A STAND IN SUPPORT OF ARTICLE XI IF THEY EVER HOPE TO HAVE TWO-TIER PRICING OR AN INVENTORY MANAGEMENT SYSTEM.



Over 40,000 farmers took a stand in support of Article XI on February 21, 1992 in Canada's capital.

IT'S TIME TO TAKE A STAND

You Can Make A Difference

It is time for American and Canadian farmers to present a unified voice to their governments. We must demand their support for a GATT agreement that:

- recognizes the rights of farmers to receive prices that cover their costs of production
- protects our ability to operate effective supply management programs

If these objectives are to be reached, farmers will have to work together.

A number of U.S. farm organizations at the national and regional levels are working toward these goals. We encourage you to contact these organizations and get involved.

Your future depends on your involvement!



Dairy Farmers of Canada
Fédération canadienne des producteurs de lait

For more information on the Canadian dairy farm industry, please write to:

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