



## ***Supply Management***

Supply management is a unique Canadian marketing system whereby farmers ensure they grow enough food to match what consumers need and want. Only five commodities are supply-managed: eggs, milk, turkey, chicken and broiler hatching eggs (eggs from which chickens hatch).

Supply management is a response to highly volatile markets. For some agricultural commodities, there is a lag from the time demand changes to when supply can match that demand. This results in market instability which in turn creates sudden shifts in the prices received by farmers...and those paid by Canadian grocery shoppers. Canadian farmers, in conjunction with provincial and federal governments, created orderly marketing systems known as supply management.

The dairy industry was the first to organize a national supply management system. Comprehensive national supply management for dairy products became a reality in 1970. Egg farmers were the first among the poultry producers to develop a supply management system and the Canadian Egg Marketing Agency (CEMA) was formed in 1972.

Supply management can only work through marketing boards. These boards, operated at the provincial level ensure that farmers are producing according to provincial and national consumer demands. To coordinate and consolidate these efforts are national organizations such as CEMA. In addition, there are federal and provincial government supervisory bodies regulating the work of the provincial marketing boards and the national agencies.

### ***Managing Supply***

The Canadian Egg Marketing Agency manages supply by establishing annually the national requirement for eggs. The national requirement is then shared among the provinces. To ensure demand can be met, provincial boards issue production quotas to individual producers after accounting for the numbers of smaller producers who grow eggs without quotas.

CEMA is also responsible for the interprovincial movement of eggs, ensuring that any region is supplied sufficient eggs in the size demanded by the region's markets. The Agency also purchases eggs to supply Canadian egg breakers who process the eggs into liquid, frozen and dried form for use in food and pharmaceuticals.

## ***Supervising CEMA***

The national poultry agencies, including CEMA, are regulated by National Farm Products Council. The Council is the public watchdog, ensuring the poultry agencies are working for the benefit of consumers. Council must approve the national requirement for eggs as well as levies, the assessments used by CEMA for market operations and promotions.

Smaller producers do not pay any assessments. The size of these producers does vary. In some provinces, a producer can have up to 99 hens before being required to pay assessments. In others, a producer can have up to 500 laying hens. Nonetheless, CEMA's programs benefit all producers, even those who do not contribute financially toward the marketing system.

## ***Prices***

Prices received by producers are tied to what it costs to produce eggs. Consequently, when production costs go down, so too do producer prices. This saving is then passed onto graders and retailers, who control the price paid by grocery shoppers.

## ***The Family Farm***

Today, supply management contributes to the development of rural Canada, ensuring the survival of small, independent, family farm operations in all regions of the country. The owner is the farm manager of these businesses, personally overseeing the safe production of food using environmentally sustainable and scientifically sound animal husbandry practices. The farm owner is able to oversee the day-to-day operations of the laying facility.

In contrast, the United States egg industry is large and vertically integrated. The national laying flock size in the United States is about 245 million. In Canada, it is about 19 million. One egg laying farm in the United States is as large as all of the egg farms in Canada put together!

In the absence of supply management, it is likely that most of the Canadian egg market would be served by the United States or by vertically integrated agri-business.

## ***International Law***

Existing Canadian supply management systems are recognized by the North American Free Trade Agreement. In addition, the World Trade Organization recognizes the border tariffs which make it possible for CEMA to know in advance the level of imports in any given year. It is necessary to have this knowledge to accurately establish the national requirement for egg production. These border tariffs, then, are necessary for supply management.