

# Canadian Federalism, Internationalization and Quebec Agriculture: Dis-Engagement, Re-Integration?

GRACE SKOGSTAD

*Department of Political Science*

*University of Toronto*

*Toronto, Ontario*

Les deux côtés des relations entre l'agriculture canadienne et québécoise ont été formés par le système fédéral canadien et les développements dans l'environnement commercial international. Le premier côté, le désengagement de la communauté agricole québécoise du système fédéral canadien, remonte à la politique agricole expansionniste du gouvernement québécois, au rôle diminué des dépenses fédérales dans l'agriculture québécoise et aux effets diviseurs de la négociation d'accords commerciaux internationaux. Le deuxième côté des bonnes relations dans les secteurs où l'offre nationale est gérée, est lié aux structures de décision corporatives nationales flexibles qui fournissent des liens sociaux vitaux reliant le secteur laitier québécois et celui de l'extérieur du Québec. La restructuration de la relation Canada-Québec dans le secteur agricole en donnant au Québec l'entière juridiction sur l'agriculture ou en intégrant d'avantage le secteur agricole québécois à la fédération doit être évaluée dans le contexte de pressions internationales et de restrictions fiscales.

The two faces of relations between Quebec and Canadian agriculture have been shaped by Canada's federal system and developments in the international trading environment. The first face, the disengagement of Quebec's farm community from the Canadian federal system, can be traced to the Quebec government's expansionist agricultural policy, the diminished federal expenditure role in Quebec agriculture, and the fissiparous effects of the negotiation of international trade agreements. The second face of good working relationships in the national supply-managed sectors is linked to flexible, national corporatist decision-making structures which provide a vital social glue linking Quebec's dairy sector with that outside Quebec. Restructuring the Canada-Quebec relationship in agriculture by either giving Quebec sole jurisdiction for agriculture or integrating Quebec agriculture more fully into the federation must be assessed in the context of internationalizing pressures and fiscal restraints.

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## INTRODUCTION

Canada's federal system was importantly implicated in the outcome of the 30 October 1995 Quebec referendum on sovereignty. The results, said

Bob Young (1996, pp. 351-2), constituted a failing grade for federalism on the significant criteria of its perceived flexibility and economic benefits. This indictment of federalism would appear to have been as forthcoming from Quebec's farm community as from

the francophone population as a whole. Although the absence of individual-level voting data precludes any firm conclusions about how Quebec's farm community voted in the 1995 referendum, aggregate-level data and close observers suggest that farmers' voting behaviour mirrored that of francophone voters as a whole: that is, a slim majority in favour of Quebec's sovereignty (Belzile, H. 1995). The post-referendum statements that Quebec's farm union leader directed to Canada's minister of agriculture and agri-food were highly critical of Canada's federal system. Quebec agriculture, declared the president of the Union des producteurs agricoles (UPA), Laurent Pellerin, cannot function in the federal system, and the Government of Canada, is incapable of working with Quebec farmers on a daily basis (Belzile 1995*b*). The referendum outcome, said Pellerin (1995*d*), indicated Quebec farmers' desire for Ottawa to terminate its involvement in Quebec agriculture and cede legal authority over agriculture to the Province of Quebec.

The UPA president's appraisal of Canadian federalism was not new. At the annual convention of their farm union in 1990, in the aftermath of the defeat of the Meech Lake Accord and at the height of Quebecers' support for sovereignty, the UPA endorsed Quebec's economic and political independence.<sup>1</sup> Then UPA president, Jacques Proulx, had rendered a similarly scathing critique of Canadian agricultural policies and federalism four years earlier in the UPA brief to the Belanger-Campeau Commission (Union des producteurs agricole 1990, pp. 9-17). The UPA brief concluded that the province must obtain exclusive jurisdiction over agriculture to end the discriminatory and costly effects of federalism and to enable Quebec agriculture to realize its potential.<sup>2</sup>

This severe criticism of federalism is curious in light of the importance of *Canadian* supply management to Quebec farmers. Given that just under one-half of Quebec farmers derive their income from the dairy and poultry supply managed sectors, the real possibility that these same farmers voted in favour of sovereignty is puzzling. The puzzle is partly

solved by recognizing that some Quebec farmers apparently believed that Canadian supply management would survive Quebec's political independence from Canada (Wilson 1995); that is, that English Canadian pragmatism would prevail and result in an economic union, of which one pillar would be supply management. This latter perception owes its origins not only to the referendum debate in the Quebec farm community but also to the broader societal debate regarding the effects of international trade agreements and regionalization on domestic public policies.

The discussion which follows probes into the relations between Quebec and Canadian agriculture in an effort to understand how Canada's federal system and developments in the international trading environment have contributed to, first, significant numbers of negative perceptions of the Canadian federal system in the 1990s and second, the apparent belief that an independent Quebec could maintain an economic association with Canada in supply management. The general argument is that Quebec farmers' relationship with and perceptions of the Canadian federal system reflect the cumulative impact of domestic agricultural policies and the internationalization of domestic Canadian agricultural policy.

The first part of the essay examines the developments in Quebec and Canadian agricultural policy during the past two decades, as well as those in Canadian trade policy over the last ten years, which have led to the first face of relations between Quebec agriculture and Canada: the relative overall disengagement of Quebec's farm community from the federal system. Explanations focus on the Quebec government's expansionist agricultural policy over the past two decades and the rise of corporatism in the Quebec agriculture sector. Both developments have resulted in Quebec farmers becoming increasingly integrated within Quebec-based state and societal networks. At the same time, an important diminution in the federal expenditure role in Quebec agriculture, and a decline in the proportion of

Quebec farmers benefitting directly from Canadian supply management, raises doubts in the provincial farm community about the benefits afforded by membership in the Canadian federation. Internationalization, whose effects are to compound internal fissures, is also disintegrating when coupled with the consequences of provincial state-building and federal fiscal constraints.

The second part discusses the important exception to this pattern of disintegration and the second face of relations between Quebec agriculture and Canadian federalism: the economic and political relationships which exist in the supply-managed sectors of dairy and poultry. The good relations here are the consequence of corporatist decision-making structures at the pan-Canadian level that provide a “social glue” (Meisel 1995, p. 344) and link farmers inside and outside Quebec. Ironically, as the 1995 referendum debate reveals, supply management was used as ammunition by both federalists, who cited it as an example that federalism works, and by sovereignists, as a mutually beneficial policy that would incite Canada and Quebec to maintain an economic association.

Options for restructuring Canadian and Quebec agricultural policies and relations are examined and appraised in the third part of the paper. Two broad options are considered: giving the province of Quebec exclusive jurisdiction over agriculture and reforms to integrate Quebec agriculture more fully into the Canadian federation. Recent domestic agricultural policy reforms offer proof of federalism’s flexibility and attempt to reduce the duplication and perceptions of inequitable treatment that have fuelled Quebec agrarian discontent with federal governments. While curtailments in Ottawa’s direct transfers to producers undermine perceptions that Canadian federalism affords visible economic benefits, developments in Canada-US trade relations likely have the opposite effect and work to strengthen beliefs about the value of membership in the Canadian federation. In the late 1990s, the unrelenting internationalization of domestic policy

and markets introduces a new calculus into federalism whose effect is as likely to reinforce support for a policy-capable Canadian government as it is to undermine it.

#### QUEBEC AGRICULTURE’S DISENGAGEMENT FROM THE FEDERAL SYSTEM

Federalism, John Meisel (1995, pp. 343-44) reminds us, functions best when it is flexible, asymmetrical, offers clear economic or other benefits, and is sustained by “an appropriate social, psychological, and emotional infrastructure.” Over the past two decades, the asymmetry that has come to characterize Quebec’s relationship with the remainder of Canada is disintegrating, rather than integrating, insofar as it lacks a supportive associational and societal grid. As well, the perceived economic benefits and flexibility of Canadian federalism are often deemed to have declined.

#### Domestic Agricultural Policy and Quebec’s Asymmetry

In 1976, Quebec agriculture was described as “endangered” (Bernier 1976, p. 432) as the exodus of farmers continued amid low commodity prices (Kesteman *et al.* 1984: Tableau 9, p. 182; Tableau 13, p. 264). Two decades later, in 1995, Quebec farmers had the highest net operating incomes of all farmers in Canada (Agriculture and Agri-Food Canada 1996, p.14). Moreover, Quebec farm incomes were more stable than those in either of the other two important agricultural regions, Ontario and the Prairies (Gouvernement du Ministère de l’Agriculture, des Pêcheries et de l’Alimentation). As Table 1 shows, Quebec’s agriculture sector is much more diversified today than it was in 1980. Although dairy remains overwhelmingly Quebec’s most important commodity sector, the number of dairy farms is half what it was in 1976<sup>3</sup> and the significance of the sector to the overall fortunes of Quebec’s agricultural economy has declined. As Table 1 further reveals, so has the importance of supply management more generally. In 1977, sales in the

TABLE 1  
Relative Importance of Supply-Managed and Non-Supply-Managed Commodity Sales 1977, 1994

	<i>Percentage Cash Receipts</i>	
	1977	1994
<i>Supply-Managed</i>		
Dairy	46	33
Poultry	14	12
Sub-total	60	45
<i>Non-Supply-Managed</i>		
Cattle	8	11
Hogs	18	18
Grain and Oilseed	-	7
Fruits and Vegetables	9	18
Other	4	
Sub-total	39	44
Total	99	99

Source: For 1977 data, see Agriculture Canada (1981), Table 18, p. 34. For 1994 data, see Gouvernement du Québec, Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (1995).

supply-managed sectors as a whole (dairy and poultry) accounted for 60 percent of total farm cash receipts; in the mid-1990s, they comprise 45 percent of total farm cash receipts.<sup>4</sup>

This appreciable improvement in the economic fortunes of individual Quebec farmers over the past two decades is the result of both Canadian and Quebec public policies; the diversification of the sector is the result principally of provincial agricultural policies. These policies are the Canadian system of supply management in the dairy sector and a host of provincial agricultural expenditure and regulatory policies.<sup>5</sup> Quebec income levels rose steadily after 1966 when the Canadian Dairy Commission was established (Kesteman *et al.* 1984, pp. 182, 264). Since its full implementation in 1975, national dairy policy has directly benefitted Quebec dairy produc-

ers who hold 47 percent of national industrial milk quota. In 1995, the instruments included direct fiscal transfers and supply-management instruments of production controls, guaranteed prices, and protection against imports. Poultry supply management has brought the same benefits of raising and stabilizing producer incomes. In 1992, the average net farm operating income of dairy, and poultry and egg farms was \$36,000 and \$29,700 respectively as compared to the overall Canadian average of \$16,500 (Rizvi *et al.* 1995, p. 3).

Notwithstanding the importance of Canadian dairy subsidies and pan-Canadian supply management to the recovery of Quebec agriculture from the mid-1960s onwards, provincial regulatory and financial policies also figure large. Of the four public policies that Quebec farmers define as the pillars of Quebec's agricultural policy, the Quebec government increasingly predominates in three: income stabilization (dating from 1975), provision of credit (originating in 1936), and crop insurance (since 1967). Since 1956, the province has supported and been important to the maintenance of the fourth pillar, regulated marketing. However, the efficacy of collective marketing legislation to enhance producer marketing power for products traded inter-provincially is contingent upon not only Quebec marketing legislation but also enabling legislation of Ottawa and the other provincial governments.

Because they exclude the benefits of supply management, expenditure data are an inaccurate measure of the relative significance of Canadian and provincial policy to the Quebec agri-food sector. Nonetheless, the appreciable role of the Quebec provincial government in Quebec's agriculture sector is clear. Levels of federal and provincial agri-food spending have virtually reversed themselves over the past 30 years. In the mid-1960s and early 1970s, Ottawa accounted for 68 percent of total net expenditures in agriculture (Agriculture Canada 1977: Table 5, p. 284; Table 9.2, p. A248). In the 1990s, Ottawa's share of agri-food expenditures in Quebec has ranged from 29 to 40 percent; the Quebec

government's share of total agri-food expenditures reached an unprecedented high of 71 percent in 1995-96 (Table 2). As the table also shows, although all provinces have assumed a greater share of financial responsibility for agriculture, the provincial share of total agri-food spending in Quebec has been appreciably higher than that of any other province with a significant agri-food sector. As Ottawa's visibility in Quebec agriculture has diminished over the past decade and a half, criticisms abound that Ottawa has offloaded its fiscal responsibilities and abdicated its traditional leadership role to the provinces. This view prevails across the Canadian farm community as a whole but is especially evident in Quebec.

With the Quebec government's agricultural expenditures overwhelming those of the Canadian government, it is the Quebec agricultural ministry whose beneficial presence has been most directly apparent. Two features of the provincial spending reinforce its political payoff: first, provincial spending tends to be universal and widely disbursed with virtually every farmer receiving benefits; and second, significant amounts of provincial monies are

linked to direct program payments, such as income stabilization. Quebec farmers receive over half of their income from direct program payments (Agriculture and Agri-Food Canada 1995, pp. 32-34).

The inordinately high level of Quebec government agri-food spending reflects the bipartisan support which Quebec agriculture has enjoyed under both Liberal and Parti Québécois (PQ) governments. Liberal premier Robert Bourassa equipped Quebec farmers with the legal instrument to augment their bargaining power when, in 1972, he recognized the UPA as a monopoly union with the right to collect membership dues from all Quebec farmers.<sup>6</sup> Other Liberal measures to promote the development of the agriculture sector included a generous income stabilization program. Quebec's expansionary agricultural policy continued with PQ Premier René Lévesque, whose sovereigntist agriculture minister placed a high priority on provincial self-sufficiency in foodstuffs (Québec 1978; Skogstad 1987, pp. 70-71). The traditional exceptionalism accorded agriculture in most industrialized countries in the post-war period has been especially prevalent in Quebec where there is a widespread perception that Quebec's

TABLE 2  
Provincial Agri-Food Spending as a Percentage of Total Agri-Food Spending

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Quebec	60	66	63	62	65	65	71
Ontario	46	53	51	48	56	55	61
Saskatchewan	22	28	21	30	30	18	22
Alberta	54	51	36	45	52	46	44
Manitoba	23	30	19	29	33	33	27
British Columbia	44	47	50	43	40	44	48
New Brunswick	43	42	34	37	39	43	42
Nova Scotia	60	57	53	54	61	58	58
Prince Edward Island	45	49	34	35	40	39	35
Newfoundland	61	61	54	62	58	60	60
Average	40	43	43	41	45	40	40

Source: Agriculture and Agri-Food Canada (1997, February), Table C.1, p. 40.

rural and agrarian communities embody society-wide norms of collectivism and cooperation. As the keystone of Quebec society, Quebec farmers argue, agriculture must be accorded a central place and financially supported by Quebec governments (Pellerin 1995a). Equally important to this underlying societal support in explaining the political influence of Quebec farmers is the sheer organizational strength of Quebec farmers' monopoly union, the UPA. United and equipped with considerable policy expertise, the UPA has successfully articulated a vision of agriculture's unique role in preserving a distinctive Quebec society, whether that be a francophone society or a society with vital rural communities. Quebec farmers through the UPA have struck a close relationship with officials in the provincial ministry responsible for agriculture (MAPAQ).<sup>7</sup> Working in concert with the ministry and other key players in the agro-food sector (including cooperatives), the UPA has had significant input into provincial agricultural policy. It has not always prevailed — the UPA opposed the Canada-United States Free Trade Agreement (FTA) which the Bourassa government supported — but it has succeeded in the main in achieving its policy objectives at the provincial level (Skogstad 1990, pp. 59-90).

In the mid-1990s significantly more Quebec producers are less inclined to see themselves economically benefitted directly by federalism and federal policies than they did 15 years earlier. For the non-supply-managed component of Quebec's farm community (producers other than dairy and poultry) provincial agricultural policies bear more visibly on their economic well-being than do the Canadian government's initiatives to access and secure export and domestic markets. With Quebec City the locus of key policy decisions, Quebec producers in non-supply-managed sectors have little need to form political alliances with other Canadian farm organizations. Their links with other producers in the Canadian farm community are much weaker than they are to groups and governments within their own province.

After 1993, when Laurent Pellerin replaced Jacques Proulx (1981-93) as president of the UPA, and Ralph Goodale became Minister of Agriculture and Agri-Food Canada (1993-97), more cordial relations transpired between the Government of Canada and Quebec's farm union. Minister Goodale was well liked in Quebec, where he was perceived as accessible, willing to listen, and a strong supporter of orderly marketing and supply management.<sup>8</sup> His working relationship with Pellerin, who has returned UPA to national agriculture policy-making forums, was good. Whether these improved personal relations translate into better institutional links and comprise the glue needed to build shared concepts of community is more difficult to discern. Except for dairy policy (the current chair of the Canadian Dairy Commission is the former head of Quebec's supervisory marketing council), Quebec's connections to Ottawa do not appear to go very deep inside the agriculture ministry. In any event, the contrast between UPA's relationship with Ottawa and its relationship with the Quebec MAPAQ is sharp.

Under Pellerin's presidency, UPA's relationship with the CFA has become much more amicable. Again, changes in the presidency of the UPA and CFA play a big role here. But the CFA itself has a diminished capacity to serve as an intermediary between the two linguistic farm communities owing to the splintering and provincializing of the farm community in western Canada. The challenges of declining government fiscal support for agriculture and trade agreements have caused all provincial farm communities to look inward. Ties with counterparts in other provinces have weakened as Saskatchewan farmers deliberate their future among themselves, and their Alberta and BC counterparts do likewise. English-Canadian farmers have not generally replaced their interprovincial organizational network with a strong intraprovincial corporatist network as has occurred in Quebec. The lesson for many Quebec farmers, especially those in non-supply-managed sectors, is likely to continue to be that their most powerful allies are to be found within their provincial borders, not outside them.

### Internationalization and Internal Fissures

Internationalization, that is, the increasing impact of factors outside Canada's national boundaries on domestic agricultural policy-making (Doern, Pal and Tomlin 1996, p. 3), has directly propelled Canada to sign international trade agreements in order to preserve and expand its markets, including agricultural markets. Internationalization has had at least three effects on the Canada-Quebec relationship. First, the negotiation of international trade agreements weakened ties between the English-Canadian and Quebec farm communities as a whole. Second, incorporation of the neo-liberal tenets which underlie internationalization and international agreements into domestic agricultural policy has highlighted ideological cleavages in the Canadian farm community and allowed Quebecers to perceive themselves as philosophically isolated in the Canadian federation. And third, with its expenditure and regulatory latitude over agricultural policy diminished by international agreements (Skogstad 1995a) and deficit-driven fiscal restraint, the Government of Canada's capacity to demonstrate the continuing benefits of federalism to Quebec agriculture is further handicapped.

In 1980, at the time of the first Quebec referendum, the GATT was the only multilateral trade agreement that affected Canadian agriculture. It legalized national governments' protection of domestic producers from foreign competition (if they managed domestic supplies), even while it left unchecked government subsidies for export-oriented commodity sectors. In using both freight-rate subsidies to render western-Canadian grain and oilseeds more competitive in international markets and border controls to shield the central Canadian supply-managed dairy and poultry sectors from competition, the Government of Canada was able to practise an agricultural trade policy that required no major internal tradeoffs.

In negotiating, first, the Canada-United States Free Trade Agreement (1986 - January 1989), the Uruguay Round of GATT (1986-December 1993),

and the North American Free Trade Agreement (NAFTA, implemented in 1994), the Canadian government faced considerable pressure to make some very difficult choices between continuing to restrict foreign entry into its domestic market (protecting supply management) and seeking greater access to others' markets (promoting the economic interests of its grains and oilseeds sectors). Throughout these negotiations, it resisted the tradeoff. Much to the annoyance of the United States, supply management was kept off the table during the negotiation of the Canada-US Free Trade Agreement. With the Cairns Group and the USA both determined to liberalize agricultural markets during the Uruguay Round of GATT negotiations, Canada could not exempt supply management from the trade talks. However, again its objective was to promote simultaneously the contradictory goals of its domestic-oriented and export-oriented agri-food sectors: that is, to ask other countries to open their grain markets, even while seeking to keep its poultry and dairy markets closed to foreign competition.

Canadian negotiators were largely successful in maintaining protection from foreign imports for Canadian producers of dairy and poultry supply-managed commodities. But they did not realize their, and the dairy farmers', preferred outcome: to maintain GATT Article XI.2.c. which protected domestic producers from imports where domestic production was managed and controlled. The Uruguay Round GATT agreement, struck in December 1993 and implemented in 1995, does not disallow import controls, but it does require Canada to accept larger quantities of imports of supply-managed commodities. In addition, volume import quotas must be converted to tariffs, which, although set initially at very high levels, will be gradually lowered over time.

The terms of the FTA/NAFTA and GATT trade agreements do *not* show any abandonment of Quebec farmers' interests by the Government of Canada. Quite the contrary. For most observers, Canada's determination to maintain border protection for supply-managed commodities not only defied very long

odds, but put its negotiators in a virtually untenable position. As measured in terms of the gap between the professed goal and the GATT outcome, the terms Canada negotiated for the sectors of Quebec agriculture most directly impacted by international agreements did not prejudice the interests of Quebec supply-managed producers any more than they did those of western grain and oilseed producers.<sup>9</sup> Despite this, the negotiation of the trade agreements, and the internal debate about reforming agriculture policy precipitated by the Uruguay Round of GATT have been fragmenting.

### *1. Isolation and Fragmentation During the GATT Round*

Its trade policy objectives at odds with those of western Canadian grain and oilseed producers in the regional base of the Conservative federal agriculture minister, Quebec's farm union was highly suspicious of the commitment of the Government of Canada and Canadian farm organizations to supply management. Liberalizing market advocates in the western grains sector, including Saskatchewan's Conservative premier Grant Devine, criticized the Canadian government for jeopardizing western Canadian grain growers' best interests by persisting with its two-pronged trade strategy (Cooper 1992, pp. 218-19). The wedge which had opened up between English-Canadian farm organizations and the UPA in the early 1980s over grain transport freight-rate reform further widened. Although the CFA publicly and continuously supported the Quebec farm community's quest to have Article XI retained and fortified, the UPA viewed the CFA's support as woefully inadequate. The CFA's resources were meagre compared to those of the UPA; the CFA's staff amounted to less than a dozen officials while UPA's numbered some 800. The CFA was riven by internal divisions while the UPA's membership was cohesive. Thus, rather than the GATT Round becoming an opportunity to build solidarity across the two linguistic farm communities in the face of a common challenge, the two organizations went their own way, devising their own separate strategies and lobbying campaigns. The incumbent

UPA leadership took full credit for the GATT outcome, arguing that the high tariffs on supply-managed products would not have been achieved but for its unrelenting lobby in Canada and Europe. In UPA's words: "the whole political community in Quebec had to be mobilized in order for us to get a hearing, to be understood and change the direction of Canada's policy" (1990, p. 11).

### *2. Adjusting to Market Liberalization*

Developing a strategy for adjusting Canada's agricultural community to the new, more competitive regional and international trading environment has required provincial and national governments to build a consensus in the farm community for more market-oriented reforms. Ottawa's consensus-building initiative began formally in December 1989 when the minister of agriculture struck several task forces to debate current agricultural programs, some with the mandate to reform existing programs to take account of new problems and realities (Agriculture and Agri-Food Canada 1994). Although provincial governments like Saskatchewan and Alberta also debated agricultural reform with their farm communities, farm organizations and individual farmers in these provinces were also involved in the federal agricultural policy debate. The exception is Quebec's farm community. Quebec's farm community and its provincial government remained at the margins of the reformist strategy of the Government of Canada,<sup>10</sup> debating its future and the future role of governments in the agri-food sector largely within the confines of its provincial borders. The Quebec Ministry of Agriculture, Fisheries and Food (MAPAQ) unveiled its consultative strategy in June 1992 (*Secrétariat du Sommet sur l'agriculture québécoise* 1992). The specific objectives of the Canadian and Quebec governments varied but a common objective of both was to reduce agriculture's dependence on government financial transfers. The *filière* (network) approach, a province-wide strategy, has involved all segments of the agri-food sector (producers, processors, credit unions and financial institutions, distributors, retailers, governments) in some 19 working groups.<sup>11</sup> The



expectation of a greater internal cohesion on agri-food policy generally has been realized in some commodity sectors, where links among producers, processors, distributors, and public officials have been strengthened. Dialogue has, however, broken down in others (Dessureault 1996; Belzile 1996c).

The market-adjustment debate in the rest of Canada has divided the farm community along philosophical lines and fragmented it organizationally. A gulf has opened up in prairie Canada between those producers who espouse a market-driven model of agriculture wherein government plays a minimal role and individual farmers are self-reliant, and those farmers who continue to believe governments have an important role to play in regulating markets and stabilizing income. This ideological diversity in western Canada contrasts with the philosophical homogeneity of Quebec where a state-assistance model which reiterates the importance of collective action at both the state and societal levels continues to predominate (Belzile 1995c). To the extent that Agriculture and Agri-Food Canada (AAFC) has championed the neo-liberal model, federal agricultural policy and federalism are seen again to be institutions that undermine Quebec agri-food goals. The reformist debate in Quebec, justified as an exercise in making more effective use of available fiscal resources, was not, at least initially, perceived as an abandonment of agriculture. The Quebec government began the debate by reiterating its commitment to the four pillars of Quebec agricultural policy and stressing that it was “not looking to reduce government support, but rather to make effective use of the resources available” (Quebec. Ministry of Agriculture, Fisheries and Food, p. 1). As will be detailed more fully below, the province has made important cuts in its transfers to Quebec farmers. Although these initiatives have been fiercely resisted by the UPA, sheer reductions in provincial financial support are not likely to produce a shift of loyalties to Ottawa. The long-established corporatist network that characterizes the relationship between Quebec farmers and the Quebec ministry responsible for agriculture (MAPAQ) and its norms of trust

give MAPAQ officials a useful forum in which to attempt to persuade farm leaders of the necessity of reductions in agricultural spending. Unable to defend its transfer reductions via a similar institutionalized dialogue, except in the dairy sector, Ottawa’s retrenchment measures are more likely to be labelled as discriminatory treatment than are those emanating from Quebec City.

#### SUPPLY MANAGEMENT AND THE REFERENDUM DEBATE

Despite the decline in the proportion of farmers producing supply-managed commodities — from approximately two-thirds of Quebec farmers in 1980 to about one-half in 1995 — the fate of Quebec’s dairy sector in an independent Quebec predominated in the 1995 referendum campaign, as it had in the 1980 debate. The UPA remained neutral in both campaigns. Its intervention was confined to the observation of its chief policy advisor, at the end of the referendum campaign, that federalists and sovereignists alike had invoked exaggerated scenarios. Contrary to what the sovereignists promised, UPA executive director Claude Lafleur (1995, p. 4) suggested that the transition costs of sovereignty would not be minimal. Nor would independence, as the federalists warned, isolate Quebec farmers.

Sovereignists sought to reassure voters that in an independent Quebec, it would be business as usual. They argued there was only a small probability that Quebec’s dairy sector would lose access to the Canadian market in the event of Quebec sovereignty (Belzile 1995a). First, PQ-commissioned studies argued that Canada needs Quebec milk and could not replace Quebec dairy products in the short term without either occasioning prohibitive costs to Canadian consumers or undermining English-Canadian dairy farmers’ own viability (*ibid.*). This dependence on Quebec dairy supplies gives Canada an incentive to bargain to maintain the economic union in supply management. Second, PQ-commissioned studies argued that supply management would not

be disrupted in the event of Quebec's independence because its destabilization would expose English-Canadian dairy farmers to a worse spectre: the immediate attention of the US. Already contesting Canada's dairy import tariffs, and determined to put an end to supply management, the US would use any attempt by English-Canadian farmers to barter a better deal for themselves vis-à-vis Quebec's dairy sector to put an end to supply management once and for all. Without the united Canada-Quebec front, without the preponderant weight of Quebec, the divisions in the Canadian dairy industry would spell the death knell of supply management and result in severe economic losses for English-Canadian dairy farmers (Morisset 1995).

Federalists rebutted by arguing that the risks of sovereignty were not minimal because the status quo in supply management would not be maintained in an independent Quebec (Romain, Larue and Lambert 1995, p. 5; Buckland 1995). Canada was not dependent upon Quebec milk supplies; English Canada could rapidly increase its milk production to make up for the shortfall induced by Quebec's separation, using other instruments at its disposal to give its dairy industry time to adjust its production and processing capacity to the needs of the interior market. In response to sovereignists' claims that English Canada was as interested in maintaining the status quo of the current economic union in supply management, some federalists openly agreed (Buckland 1995).<sup>12</sup> However, those English-Canadian dairy farmers interested in negotiating with an independent Quebec in order to maintain economic and political stability were not likely to prevail. Supply management, these federalists reminded Quebec voters, was not as strongly supported throughout the rest of Canada as in Quebec. Nor would continuing the economic partnership in supply management finesse American interest in reopening their unfinished dossier on supply management. Such an outcome could not be circumvented even by a Canada-Quebec economic partnership. Concessions — a more rapid lowering of tariffs than provided under GATT — would have to be made to

the US to obtain American support in facilitating the period of transition after Quebec secession. In short, the national milk policy could not be preserved in an independent Quebec, regardless of whether that independence was coupled with an economic partnership with Canada.

These federalist warnings were echoed by Canada's minister for agriculture and agri-food, Ralph Goodale, who repeated that supply management is a *Canadian* public policy, one by which the *Canadian Government* protects Canadian producers (Groulx 1995). He warned that only a "no" vote could guarantee the economic benefits and market protection afforded by current national dairy policy and international trade agreements (Ibid.; *Western Producer* 1995).

In short, both federalists and sovereignists agreed that supply management is an example of a successful working relationship Quebec farmers have with producers in the other Canadian provinces. Whether "commercial agreements like those in dairy and poultry supply management, negotiated on a business-like basis" (Pellerin 1995c)<sup>13</sup> can survive outside the federal system was the source of contention. Sovereignists argued that they could and would be maintained in a Canada-Quebec economic union; federalists denied both claims.

Perceived as a model of flexible federalism in an era of market-liberalization pressures, dairy and poultry supply management merit a closer look. Both sectors reveal the importance of societal networks of interaction in building trust and support for a federal system. While the nature and outcomes of the reformist discussions underway in Canada and Quebec approximate a two-solitudes model, those in the dairy and poultry sectors assume a different pattern. The challenges posed by the GATT have drawn the Quebec dairy and poultry producers into closer contact with their Canadian counterparts. The GATT required Canada to admit a higher level of imports of dairy and poultry products and raised the spectre of greater future competition for Canadian

dairy and poultry processors from lower cost American imports. Together, producers and processors were able to formulate adjustment strategies designed variously to circumvent as well as to prepare for the GATT-induced market liberalization of their sectors. Thus, in August 1995, Quebec and five other Canadian provinces agreed to implement a dairy policy which entails a greater degree of harmonization of provincial policies than its predecessor. The objective is a more fully developed national dairy policy that, for example, pools fluid and industrial milk prices across provinces and harmonizes provincial inspection standards (Tower 1995a). The UPA president described the agreement among the six provinces as an “inspiring” example of how milk producers had joined together to face the new market challenges created by the new GATT rules (Pellerin 1995b).

The reforms in the broiler sector differ in moving more toward provincial self-sufficiency in supplies, but even here there has been accommodation of the Quebec chicken sector (Paradis 1995; Tower 1995b). In short, the regulatory framework for the economic union that allows dairy and broiler producers throughout Canada to share the Canadian domestic market has been successfully restructured through political cooperation and concessions across provinces. Mutual economic interests have made these reforms possible. So has a shared commitment to collective marketing and trust-ties developed through the institutional cement of pan-Canadian corporatist networks. If interstate federalism has proven flexible in the instance of supply management, it is because a *political* relationship has been established among Canadian, including Quebec, dairy and poultry farmers. It is this political relationship, and its attendant “social glue” that enables mutual long-term economic interests to be advanced at the expense of conflicting short-term economic goals.

In summary, Quebec farmers experience an asymmetrical political relationship in the Canadian federal system. In an important sense, the asymmetry

is sociologically rooted in a different language, historical tradition, and set of values which includes a strong communitarian ethos. These sociological differences have positioned Quebec farmers more strategically in their provincial society than farmers elsewhere in Canada, with the possible exception of Saskatchewan. As noted earlier, the collective solidarity which unites Quebec farmers has been reinforced over time by the agricultural policies of Quebec provincial governments. Accordingly, even while Quebec farmers share goals and policy instruments with their counterparts elsewhere in the country, the government which is perceived as primary in helping to fulfil these goals is the provincial government, not the federal.

Second and concomitantly, a large number of Quebec farmers have become sociologically and psychologically detached from the farm community in the rest of Canada. Never very strong, and vulnerable to the individual linguistic skills, personal styles, and objectives of farm leaders, Quebec’s associational ties with the Canadian farm community are fragile. They are no worse or better today than they have always been, and indeed, they are better than they were during the period of Conservative ministers of agriculture and the UPA presidency of Jacques Proulx. However, such feeble associational links do not provide the institutional base to allow the two farm communities to appreciate more fully the extent to which they share similar goals and benefit from cooperation. Exchange across the two linguistic farm communities that is restricted to commerce is as likely to stimulate competition in an era of regional and global trade agreements as it is to foster cooperation.

#### POST-REFERENDUM DEVELOPMENTS AND REFORM OPTIONS

In a context of government budgetary restraints, international trade agreements, and continuing internationalization of agricultural markets, there are two options for dispelling Quebec agrarian discontent

with the current federal system and restoring its legitimacy. The first is to give the Province of Quebec exclusive legal authority for agriculture. The second option is to attempt to integrate Quebec agriculture more fully into the federal system. This section examines the merits of each of these two options and analyses how ongoing developments in the international/continental political economies, as well as recent initiatives by the Government of Canada to render federalism more workable, are likely to bear on the relative attractiveness of each of these options.

### **Option 1: A Transfer of Jurisdiction over Agriculture**

Successive annual congresses of the UPA have demanded a complete repatriation of agriculture (with fiscal compensation) to Quebec (Turcotte 1994, p. B1). Agriculture was named as one of the 22 policy fields which the Liberal Party's 1991 Allaire Report recommended be transferred exclusively to the provinces. The call for a jurisdictional transfer was repeated by the UPA in the immediate aftermath of the 30 October 1995 referendum (Belzile 1995*b*), and appears to have widespread support throughout Quebec (Mackie 1995).

The support for terminating Ottawa's shared jurisdiction for agriculture is based upon a three-fold critique of federal policies, as first articulated by the UPA in 1990. First, federal agricultural policies have favoured western Canadian agriculture and meant disproportionately low levels of federal spending in Quebec. Second, federalism has meant additional costs to Quebec taxpayers owing to the duplication of federal and provincial programs, and because Quebec has "had to adopt our own programs adapted to the Quebec situation to mitigate the deficiencies in these policies and the unfairness to Quebec of federal transfer payments." And third, federal income stabilization policies have undermined Quebec producers' democratic rights, by, for example, requiring that provincial programs conform to federal standards if they are to receive federal funding.

A jurisdictional change that left the provincial government solely responsible for agriculture would have one obvious benefit. The transfer would be of clear symbolic importance, denoting Ottawa's intention "to respect the difference" that characterizes Quebec agriculture (Pellerin 1995*d*, p. 4). Giving Quebecers exclusive authority to design all their agricultural programs as they choose would recognize Quebec agriculture's unique position in the Canadian federal system and its distinctive communitarian ethos. The symbolic importance of a jurisdictional transfer is likely to be greater than its practical consequences; as elaborated below, Quebec (like other provinces) has been given considerable scope in recent years to configure and deliver shared-cost, income-support programs according to its own preferences.

Ceding exclusive control over agriculture to the province is, to some degree, consistent with Ottawa's retreat since the mid-1990s from its traditional role of providing direct income support to the agri-food sector. In 1995-96, program payments (direct income transfers) comprised 20 percent of federal expenditures as compared to 41 percent of provincial payments.<sup>14</sup> The 1996 budget announced the phased elimination by 2001-2 of the \$160 million federal industrial milk subsidy, worth \$76 million to Quebec farmers (Belzile 1996*a*, p. 1). Even while it promised the dairy sector a five-year dairy policy to replace the lost dairy subsidy, the termination of the subsidy will leave the federal government without a federally delivered agricultural program at the grassroots level in Quebec. As Table 2 shows, AAFC's general retreat from direct income support has not spared any province. Western Canadian provinces have been forced to assume more of the costs of stabilizing producers' incomes and are projected to do so in the future. Nonetheless, Quebec continued to be distinct among provinces in terms of the importance of its spending for agriculture.

Rendering the province exclusively responsible for agriculture can also be seen to accord with the constraints of international trade agreements. The

domestic policy instruments deemed “green”/legal under the World Trade Organization (WTO) are ones that might be most appropriately performed by local governments better able to respond to territorially specific challenges and goals. These programs include those for research and development, agricultural credit, and workforce training. The Quebec government and its provincial agencies dominate in expenditures for agri-food credit and workforce education. While the Government of Canada’s expenditures for research in the province are about twice those of the provincial government, the Quebec government still plays a more important funding role here than virtually all other provinces (Agriculture and Agri-Food Canada 1997, pp. 44, 49).

If the foregoing factors strengthen the case for Ottawa vacating agriculture and giving exclusive authority to the Province of Quebec, other domestic and international developments suggest caution. First, vesting exclusive authority over agriculture in the provincial government’s hands would leave Quebec’s farm community quite vulnerable. The UPA’s relations with the PQ government and MAPAQ have become tense over the past year as the UPA finds itself at odds over provincial environmental policy, PQ efforts to restructure provincial dairy corporatist networks, and to curtail agricultural spending.<sup>15</sup> The UPA’s preferential position inside provincial concertation and corporatist networks has been cast in doubt (Gagné 1996a; Gagné 1996b, p. 1; Groulx 1996). In short, developments in Quebec agricultural policy subsequent to the 1995 referendum have exposed the negative face of a single level of government having exclusive authority for agriculture.

Second, ceding exclusive jurisdiction over agriculture to the Province of Quebec ignores the fact that trade policy has become an important dimension of agricultural policy. International trade agreements and international market integration make it difficult to disentangle agriculture and trade policy. Trade policy — and hence the government which

exercises it — has a crucial impact on the fate of domestic agricultural sectors. At the same time, the considerable uncertainty that exists with respect to the security of continental markets, as rules-based trade continues to struggle to win out over power-based trade, reinforces the logic of consolidating executive authority for external agricultural trade policy in a single government.

Canada’s experience in the post FTA/NAFTA era defies the prediction that these agreements would secure Canada’s entry into the US market and put an end to American trade harassment of foreign competition. Canada has faced a more or less continual spate of trade disputes since the FTA was implemented, as American domestic interests attempt to thwart Canadian exporters’ access to the US market and gain further access for their own exporters to Canadian markets. In 1994, Canada was led to negotiate — and to limit — access for its wheat exporters into the US market for a year (Skogstad 1995b). Canada’s monopoly wheat and barley exporter, the Canadian Wheat Board, has been labelled by American private grain traders and the US government as an instrument of “unfair” trade, one they will target at the 1999 World Trade Organization meeting. The United States’ irrevocable opposition to supply management is well known. In 1995, the US referred tariffs Canada implemented under the GATT/WTO agreement on supply managed dairy and poultry imports to an international dispute resolution panel. Canada prevailed when the panel ruled in December 1996 that the tariffs were legal, within the terms of both the NAFTA and the GATT/WTO (NAFTA Arbitral Panel 1996). Despite the panel’s conclusion, the US trade representative and agriculture secretary expressed their continuing determination to mount pressure on Canada until the tariffs are eliminated (Fagan 1996).

The bilateral supply-management dispute, and the panel ruling supporting its current high level of domestic market protection, have important implications for the Canada-Quebec agricultural relationship. First, the dispute and the American reaction to

the panel's ruling, confirm that the "rules" laid down in the FTA and NAFTA have not completely displaced "powering" as a tool in the US trade policy arsenal. The US will continue to pressure other nations to harmonize their policy instruments along American liberal lines. To the extent that power politics and trade harassment remain an important part of US trade policy, membership in a mid-sized economy like Canada would seem to offer strategic advantages as far as bargaining power is concerned over that of membership in an independent Quebec. In short, Canada's trading experience within the FTA/NAFTA undermines the sovereigntist claim that internationalization and international trade agreements free up small economies for political independence (Parti Québécois National Executive Council, pp. 6, 27).

Second, the international panel ruling removes the uncertainty which plagued not just the future of supply management but the scope of policy authority of the national government at the time of the Quebec referendum. The panel ruling is a clear affirmation of the continuing policy capacity of the Government of Canada, even in an era of progressive market liberalization. A contrary ruling that denied Canada's right to preserve the protection afforded by supply management would certainly have vindicated separatist claims that membership in the Canadian federal system carries few benefits for Quebecers. Moreover, in ruling that the GATT/WTO takes precedence over the NAFTA, the international panel also made it clear that it was upholding rights Canada enjoyed as a signatory to earlier GATT agreements. Even were it to succeed in becoming a member of GATT, would an independent Quebec, not a signatory to previous GATT agreements, have those rights? The panel's ruling raises doubts that it would.

Currently, agricultural trade policymaking is *de facto* shared. Provincial agricultural ministers are closely consulted on agricultural trade matters, have significant input into trade agreements, and shape national responses to agricultural trade disputes. Were Quebec to exercise exclusive authority over

agriculture, Quebec members of parliament would presumably have to exempt themselves from discussion of agricultural matters in the Canadian government. The result could well be that Quebec farmers would find their own power to shape Canadian external trade policy diminished. Thus, a jurisdictional transfer of agriculture to Quebec could well leave the province weakened in terms of its capacity to affect much of the policy that most matters to the well-being of agriculture.

### **Option 2: A Fuller Integration of Quebec Agriculture**

Since its election in 1993, reforms to demonstrate the flexibility and economic efficiency of federalism have had a high priority on the agenda of the federal Liberal government. Such reforms in agri-food policy speak to the effort to reintegrate the Quebec farm community into the federal polity by undermining their critique of Canadian federalism and federal policy. That critique has centred on Quebec's unfair share of federal funding, the distortion of its priorities by Ottawa's insistence on national programs and national standards (Pellerin 1995*d*) and inefficiencies arising from overlap and duplication.

Before examining Ottawa's initiatives to demonstrate the efficacy and efficiency of federalism, it bears reminding that Ottawa has traditionally deployed a number of asymmetrical options to render Canadian federalism more flexible. Configuring federal programs to conform to the wishes of Quebec and other provinces is not new. The device of administrative delegation of powers has been adroitly used for over 30 years in agricultural marketing boards. Agriculture is a veritable potpourri of bilateral agreements and arrangements designed to tailor national programs to provincial fiscal capacity and local conditions.

Since the mid-1990s, AAFC's strategy to accomplish expenditure restraint and inject greater efficiencies into the federal system has been to promote financial and regulatory partnerships with the provinces and the private agri-food sector. Three

prominent examples of initiatives designed to accomplish these goals are the reform of farm income safety nets, the creation of the Canadian Food Inspection Agency, and the distribution of federal adaptation funding via producer-controlled agencies. The reform of income safety nets has given provinces more latitude in designing their programs, even while requiring producers and provincial governments to pick up an enhanced proportion of their costs. In the face of resistance from both Quebec and Alberta, the federal Ministry of Agriculture and Agri-Food retreated significantly from its objective of establishing a nation-wide income safety net for farmers. It responded to Quebec pressure to funnel federal funds through Quebec City and the province's existing income stabilization plan (Belzile 1994). As each province has acquired the opportunity to configure its own provincial safety net package to meet its own philosophical and economic objectives, Canadian agricultural policy has become more decentralized and more variable across *all* provinces.

In food inspection, "an area fraught with jurisdictional fragmentation" (Doering 1996, p. 6) and one the UPA singled out before the Belanger-Campeau Commission as a costly example of "pure duplication" (Union des producteurs agricoles, p. 154), efforts are underway to avoid duplication and plug gaps in food inspection. A single agency, the Canadian Food Inspection Agency (CFIA) was created in 1997 to consolidate all federally mandated food inspection and quarantine services formerly spread across three federal departments. The integration of federal and provincial food inspection under the rubric of a Canadian Food Inspection System has been underway since 1994; several provincial governments, including Quebec's, are seeking bilateral agreements with the CFIA to permit it to carry out inspection activities or provide services within their province. Even the most recalcitrant provinces of Quebec and Alberta have greeted the federal-provincial cooperation in harmonizing food inspection standards with applause (Canadian Food Inspection System 1996). In this regulatory arena,

the intergovernmental partnership is accompanied by a public-private partnership as the agri-food industry is being required to share the costs of food inspection services.

AAFC's decision to disperse federal adaptation funds, designed to compensate for the termination of federal freight rate subsidies, via producer-controlled bodies represents a third example of its endeavour to forge new public-private relationships. In this instance, in Ontario and Quebec, producer organizations have been entrusted with determining the appropriate distribution of these adaptation funds (Paradis 1996).

These reforms can reasonably be expected to temper Quebec farmers' complaints of costly duplication and strait-jacket federal policies. But do they meet the demand that Quebecers receive equitable treatment in the federation? Whether Quebec receives its "fair share" of federal funding will of course always be a matter of debate, and one that no province is likely to allow Ottawa to win. Much of Quebec's perception of its inequitable access to the spoils of federalism has rested on the belief that the western grain sector — and in particular, Saskatchewan farmers — received "preferential" treatment; a case in point was the large sums of federal money which went to prairie Canada in the late 1980s to help grain farmers cope with their worst debt crisis since the 1930s Depression. The impending loss of the federal dairy subsidy by the turn of the century continues to fuel this sense of unjust treatment.

In its defence, Ottawa can mount two arguments to rebut the claim that Quebec agriculture has not received fair treatment by federal governments. First, Quebec's proportion of federal funding is in keeping with its share of total Canadian farms (see Table 3) and reflects the relative importance of agriculture to its overall provincial gross domestic product (see Table 4). If Ontario and not Saskatchewan is the benchmark, and one could argue that Ontario is more appropriate since it is the other

TABLE 3  
Distribution of Federal Agri-Food Spending by Province

	<i>Percent of Total Canadian Farms</i>	<i>1989-90</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1994-95</i>	<i>1995-96*</i>
<i>\$ millions (%)</i>						
Quebec	13.6	422 (10)	402 (7)	404 (10)	273 (9)	248 (9)
Ontario	24.5	625 (15)	594 (10)	593 (14)	407 (13)	372 (14)
Saskatchewan	21.7	1,323 (32)	2,212 (37)	1,222 (29)	915 (30)	794 (30)
Alberta	20.4	685 (17)	1,213 (20.5)	810 (19.5)	543 (18)	497 (18.5)
Manitoba	9.2	439 (11)	806 (14)	461(11)	357 (12)	304 (11)
Total		4,112	5,913	4,151	3,033	2,678

\* forecast

Source: See Agriculture and Agri-Food Canada (1995, September): for percentage of total Canadian farms in province Figure B.2, p. 27 and for government spending, Table C.1, p. 40.

major provincial beneficiary of supply management, Quebec does receive an equitable amount of federal funding. Table 3, which allows a comparison of the two provinces' share of federal funding relative to their proportion of total Canadian farms, shows that Quebec fares slightly better than Ontario. And second, expenditures tell only part of the "equity" story. Compared to other provinces, a far higher proportion of Quebec farmers (the almost one-half subject to supply management) continue to be largely insulated from international market competition; the 1995 elimination of western grain freight rate subsidies leaves prairie grain growers' incomes more fully determinant on international prices. In the late 1990s, Quebec farmers as a whole may even be said to occupy a preferential position in the Canadian federal system.

Federal initiatives to render federalism more workable constitute one element in the calculus to quell Quebecers' discontent with the current federal system and restore its legitimacy. Internationalization is, of course, the other significant element. As the preceding section has highlighted, the Canadian

government can point to some tangible evidence that it has not been neutered by international trade agreements, but rather, has negotiated adroitly to serve the interests of both domestic- and export-oriented agricultural interests. While such outcomes have the potential to demonstrate the advantages of membership in the Canadian federation, whether they serve to offset the disintegrating effects of the continentalization of a number of key agri-food markets in the wake of the FTA (1989) and NAFTA (1994) is more problematic.

TABLE 4  
Agri-Food GDP as a Percentage of Total Provincial GDP

Quebec	4
Ontario	9
Saskatchewan	11
Alberta	5
Manitoba	7

Source: Agriculture and Agri-Food Canada (1995, September), Table C.7, p. 53.



Canada's trade with the US has risen sharply since the FTA was signed. In 1984, 30 percent of Canadian agri-food exports went to the US; by 1993, increases in exports of live animals, meat (beef), and beverages had pushed the figure to 55 percent (Agriculture and Agri-Food Canada 1994, p. 30A). More important still is that southerly trade has risen much more for some commodities and hence for some regions — western grains, oilseed and beef cattle, central Canadian beverages — than for others, including Quebec. The increasing importance of US markets and the fact that they cannot be taken for granted works to disengage regions from one another; at the same time it creates differences of interest within regions. Thus, a western Canadian grains sector that was preoccupied with an internal dispute over what marketing mechanism best positions farmers to be competitive in US markets, had scarcely time to turn an eye to the Quebec referendum. As the Canada-US trade relationship is pushed to centre stage, the cleavage widens between those provinces like Quebec for whom the domestic market and east-west trade is still primary and those provinces whose economic well-being depends less upon nurturing domestic commercial relations than it does upon fostering foreign-trade harmony.

Nor is supply management spared by the continentalization of agri-food markets. Provincial imbalances in production and consumption capacities continue to ensure market interdependence and a shared interest in the Canadian economic and political union. However, even while domestic market protection remains intact for the medium term, the rules of the game have changed in supply management, owing to the enhanced necessity for producers and processors to be increasingly competitive vis-à-vis their American counterparts. GATT Article XI.2.c required countries to control (80-85 percent) of their domestic production in order to limit foreign imports. This external constraint created an incentive to share the Canadian market. It also meant that larger provinces had more leverage to negotiate a bigger market share; their threat to withdraw from the national market-sharing arrange-

ment could bring the system crashing down as low cost imports could then not be legally prevented from flooding in. Under the new GATT, however,

the maintenance of tariff protection for dairy, poultry, and eggs is not dependent upon the maintenance of a supply management system. The external threat is ended (tariffs remain no matter what happens internally) and a single province cannot make a threat to open the flood gates to cheap foreign product. If a breakdown in supply management occurs, there can be an internal fight among the provinces in Canada over market share. Bargaining power will eventually shift toward the most cost efficient producer. (Rosaasen *et al.*, pp. 2-3)

Quebec's chicken producers have already experienced the new rules of the game as Ontario's chicken industry flexed its new "market power" muscles in 1994. They boosted their chicken production beyond their market share and unilaterally allowed processors' market demands to determine their production. The drop in chicken prices ricocheted in Quebec's chicken sector; hard bargaining and compromises on both sides yielded a tolerable but fragile solution to the skirmish.

In the dairy industry, Quebec and pan-Canadian corporatist networks have been equally severely jeopardized by international competitiveness pressures that have exposed intra-sectoral differences of interest between producers and processors. These pressures have been compounded by the Government of Canada's 1996 decision to terminate its industrial milk subsidy. A standoff has developed as producers have sought to recapture lost dairy subsidies with higher prices in the marketplace, and resisted processor efforts to acquire more say over pricing and supply (Belzile 1996b; Belzile 1996d). While de-stabilized, the longstanding networks that have linked processors and producers with government officials in provincial and Canadian dairy policymaking, have not been disbanded. Governments continue to accord them a primary role in

formulating and building a consensus for policies appropriate to an era of market liberalization. To the extent that they are successful, supply management corporatist networks will facilitate Canada's adjustment to the international political economy — not by severing economic groups in one region from one another, but rather by facilitating their working together to achieve mutually compatible goals. In the absence of such intra-sectoral and inter-regional networks, the continentalization of agri-food markets is likely to be disintegrating, as Canadian producers and processors in different provinces focus on pursuing their narrower self-interests.

## CONCLUSION

The face the Canadian federal system presents to Quebec agriculture in the late 1990s is arguably quite different from its visage at the time of the 1995 Quebec referendum. Canadian agricultural policy can be described as less riddled with duplication and more flexible in responding to particularistic concerns. Complaints of Quebec's inequitable share of the spoils have been undermined by Ottawa's scaling back its direct financial assistance to all commodities and provinces, including eliminating western grain transportation subsidies. Agriculture and Agri-Food Canada has redefined its relationships with provinces and the agri-food industry, entering into partnerships for funding farm-income safety nets, agriculture research, and food inspection. However, Canadian federalism is leaner in the late 1990s; direct Canadian government transfers to producers, more meagre. If these reduced federal transfers for farm-income support constitute a negative entry on the score card of the financial benefits of membership in the Canadian federation, the decline in the Quebec government's total agri-food expenditures, and the contribution to the financial security and profits of supply-managed producers stemming from the positive internal panel ruling upholding the high import tariffs on supply-managed products, are balancing positive entries.

Agriculture and Agri-Food Canada's current preference for partnerships with provinces and the agri-food industry in designing and delivering agri-food policies appears to be the defensible and appropriate course of action to redress negative views of the federal system. It is certainly a decentralist strategy, but one that falls short of a wholesale transfer of jurisdiction over agriculture to provinces. As noted above, agriculture and trade policy are intertwined, so much so that Quebec's agri-food sector can be expected to appraise the benefits of federalism increasingly in terms of Ottawa's capacity to manage its bilateral trading relationship with the US to their benefit. With exclusive legal authority for external trade policy, Ottawa has a major vehicle by which to affirm the merits of membership in the Canadian federation. If it continues to be willing and successful in devising a trade policy that effectively resists American demands to dismantle Canada's distinctive programs and to converge on American policy instruments, the Canadian government could do much to redeem itself in the eyes of the Quebec farm community. An important test looms ahead when agricultural negotiations for the next round of the World Trade Organization begin in 1999 and international pressures on supply management intensify. To build a consensus for the concessions that Canada will most certainly have to make on greater foreign access to the Canadian domestic market, the strategy followed in previous trade negotiations of a continuous and fully informative dialogue with the provinces and the agri-food community will clearly be vital.

However, restoring Quebec farmers' faith in the federal system and strengthening their attachments to the federal system obviously goes well beyond appealing to their economic self-interest and delivering economic benefits. It also goes beyond the policies and actions of governments. This article has argued the importance of a social infrastructure that links Quebec's agri-food community with that outside the province. Such institutional links across citizens and between citizens and the Canadian

government, cannot be expected to undercut Quebecers' emotional attachments to their province or to arrest the nationalist sentiments that characterize the relatively youthful Quebec farm community.<sup>16</sup> But, as dairy supply management demonstrates, long-standing associational ties between Quebec farmers and those in other provinces can be a mechanism for building trust and respect across linguistic communities. While the major onus for building associational bridges must rest on the shoulders of farm leaders throughout Canada, including Quebec, the Government of Canada could help to create and fortify such societal links by granting more formal recognition to the views of organizations like the Canadian Federation of Agriculture and the National Farmers Union which strive to be pan-Canadian in their outlook.

In conclusion, the interrelationship between Quebec agriculture, Canadian federalism, and internationalization is evolving and will continue to evolve. Agriculture is but one example, albeit a powerful one, of how the roles of governments and the viability of political communities are being reshaped by broader continental and global trade and economic developments. Federal systems, especially those whose constituent communities are as distinctive in their interests, traditions, and organizations as those in Canada, may be particularly vulnerable to internal factionalism in the face of globalization and continentalization. Whether their schism is inevitable or not is much more debatable. It would appear, at least to this author, to be contingent upon the actions and strategies of governments and leaders in the political arena and in society.

## NOTES

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Sciences and Humanities Research Council of Canada, Research Grant 410-92-0260.

<sup>1</sup>The following year, the UPA leader, Jacques Proulx, served on the Commission on the Future of Quebec (the Belanger-Campeau Commission) and signed its report. The UPA subsequently backed off its ringing endorsement of Quebec independence during the Belanger-Campeau hearings. It opted for a position of official neutrality in 1992 and retained this neutral stance during the 1994-95 regional hearings on the PQ Bill on the Future of Quebec.

<sup>2</sup>The Bourassa Liberal government commissioned internal studies in the early 1990s (in the wake of the defeat of the Meech Lake Accord and pending the Charlottetown Round talks) that also recommended exclusive provincial jurisdiction over agriculture, with federal fiscal compensation. The single "hiccup" was supply management. In constitutional negotiations to transfer jurisdiction over agriculture to the province, the report suggested that Quebec should put the highest priority on maintaining supply management, recognizing that it would likely have to accept some diminution in its quota share. See Lessard (1994, p. 3).

<sup>3</sup>In 1976, there were 24,072 dairy farms with sales of \$2500 or more in Quebec. In 1994-95, Quebec dairy farms numbered 11,782. For the 1976 figure see Agriculture Canada (1981) Table 5, p. 7. For the 1994-95 figure, see Canadian Dairy Commission (1995), p. 12.

<sup>4</sup>The supply-managed sectors continue to be very important, as is fully revealed when account is taken of jobs in the food-processing sector. The food and beverage-manufacturing sector is the most important manufacturing sector in Quebec (15.3 percent of total value). Dairy products account for 25.9 percent and meat and poultry 23.0 percent by sales; by employment, the figures are 10.9 percent for milk products and 16.4 percent for meat and poultry products. See Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (1995).

<sup>5</sup>Of the programs which deliver direct financial assistance to Quebec's agricultural sector, only agricultural credit (begun in 1936) and the right of collective marketing (1956) were in place prior to the modernization of Quebec agriculture which began in the late 1960s and early 1970s. The programmatic foundation of Quebec agriculture today includes: crop insurance (begun in 1967), income stabilization (dating from 1975), and

provision for Quebec farmers to organize in a monopolistic union (1972).

<sup>6</sup>Despite the Bourassa government's recognizing the UPA as the monopoly union of Quebec farmers, the UPA was instrumental in the Liberal government's electoral defeat by the Parti Québécois in 1976.

<sup>7</sup>For example, when Marcel Landry, a former UPA official, became the minister in charge of agriculture (MAPAQ) in the PQ government elected in 1994, he chose a number of UPA officials as his main advisors.

<sup>8</sup>Goodale's accessibility and persuasive skills were fully evident during his appearance at the UPA annual congress in Quebec City in December 1993 to explain and defend the Canadian government's abandonment of its defence of Article X1.2.c in favour of tariffication.

<sup>9</sup>The UPA roundly criticized this second best outcome, even while one of its economists (Proulx 1994) stressed that there was no short- or even medium-term threat to supply management.

<sup>10</sup>Quebec withdrew from national fora in several policy sectors in the wake of the defeat of the Meech Lake Accord in 1990.

<sup>11</sup>MAPAQ's *Information Document* (p. 12), which launched the reformist debate in Quebec, noted "the interaction of institutions, governments, universities, co-operatives, farm consolidations and farm unions, has created a partnership that is almost unique within [the] Quebec economy."

<sup>12</sup>Arguing that Quebec farmers face greater economic insecurity outside Canada than inside, Buckland nonetheless states that Canada without Quebec would have a weakened capacity to defend supply management and tariffs on imports of dairy and poultry products. Peter Leslie (1994, p. 44) has made this same argument more generally. Leslie argues that Canada will negotiate an economic partnership with a sovereign Quebec to avoid the loss of bargaining power with the United States that would follow disruption of the present Canadian economic union.

<sup>13</sup>Pellerin's appraisal of supply management in 1995 differs from that in the UPA brief to the Belanger-Campeau Commission (p. 155) which cited interprovincial trading tensions over eggs at the beginning of the 1970s as proof of the "frictions and ... decades of long

and costly legal spats related to the lack of clarity in the Constitution."

<sup>14</sup>See Agriculture and Agri-Food Canada (1997) p. 41. Program payments had accounted for an average of 43 percent of federal expenditures on agriculture over the previous ten-year period, 1985-95. See *ibid.*, p. vii.

<sup>15</sup>Total Quebec provincial government expenditures in support of the agri-food sector have declined since 1990-91 when they peaked at \$697 million. They are estimated to be \$586 million in 1996-97. See Agriculture and Agri-Food Canada (1995), Table C.1, p. 40; Agriculture and Agri-Food Canada (1997), Table C.1, p. 40.

<sup>16</sup>Among Canadian provinces, Quebec has the largest percentage of farmers in the 30- to 44-year range and the youngest farm population as a whole. See Agriculture Canada (1992) Figure 3.2, p. 111.

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