The importance of marketing boards in Canada: a twenty-first century perspective

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Abstract

Purpose – Marketing boards are an integral part of the farm economy in Canada. Their purposes have been debated for decades but seldom from a marketing perspective. Such an approach makes for an interesting way to study them. The purpose of this paper is to assess the pros and cons of marketing boards, suggesting how they can be made more responsive to market forces.

Design/methodology/approach – The paper positions the need for Canada to bring agricultural market reforms. The wave toward freer access to world markets makes the study of supply management that more interesting and relevant in the twenty-first century. A brief history of marketing boards is presented, followed by a discussion of their economic, social and constitutional impacts on Canadian society. Dairy supply management issues are discussed because they serve as the basis for comparative analysis, given that dairy trade liberation has been the most successful. The impact of marketing boards on consumers is well documented.

Findings – The research points out that marketing boards lack managerial savvy to make them more efficient and responsive to market changes. Logistical and supply chain management approaches seem to be lacking. A failure to respond to markets has resulted in lost market opportunities, both domestically and abroad. The quota values, the legal and constitutional powers of Canadian marketing boards and the interprovincial trade barriers, among other issues, have stifled entrepreneurship and innovation, all with rising prices to consumers. Trade liberation will not be easy to implement even if it is urgently needed.

Practical implications – Some of the suggested market reforms presented in the paper are bound to have repercussions not only on farmers and their current ways of doing business but on Canadian society as well.

Originality/value – Few studies on marketing boards have been done from a marketing perspective rather than an agricultural economic one. It is the most current review of Canadian marketing boards. Marketing studies are needed to know more about how such boards are managed and function. They need to be more accountable. The recommended managerial studies on boards make the paper unique. While trade liberation is highly recommended for milk and dairy boards to meet world pressure, the paper does not call for their elimination.

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Introduction

Canada is a trading nation with international trade accounting for over 40 percent of the country's GNP. Any trade disruption can impact on the economic well being of the country. The need to monitor food safety and listen to what other countries are saying about Canada's marketing boards (also known under various names such as supply quota systems, orderly supply management, organized marketing arrangements, and agricultural supply management, among others) are important for those agricultural producers whose livelihood depend on the agribusiness trade not only with the US and other countries but domestic sales as well.

Presently, the Canadian agribusiness industry is being subjected to unprecedented world pressures that have created uncertainty and a call for changes in the way the agrifood supply chain is now managed, especially for those producers involved in the marketing of livestock (beef), poultry and dairy-related products (e.g. eggs, cheese, ice cream). While there are no marketing boards for beef, there is, nevertheless, an urgent need for Canadian beef producers to respond more rapidly and more convincingly to events that pose a health risk to consumers, as a result of the discovery of a bovine spongiform encephalopathy – infected animal (BSE) in early 1996. The possibility that consumers could contract a new variant of Creutzfeldt – Jakob disease (nvCJD), a rare and lethal degenerative brain disease, led an abrupt boycott of beef exported to the US and other countries causing an unprecedented economic crisis for beef producers (Labrecque and Charlebois, 2006; Moens and O'Keefe, 2006). More demands are made for better handling and labeling of foods and better prevention detection methods for improved food safety to alleviate public health concerns. More importantly, the paper's main focus is on Canada's long cherished agricultural marketing board system and how this type of agricultural arrangement is now being subjected to intense pressure to lower its protectionist mandate, to change restricting output, and to become more open to domestic and world competition for agricultural products such as dairy and poultry.

Before the 2004 Geneva meeting on global trade, World Trade Organization (WTO) members agreed to begin a process to lower farm subsidies. The meeting held in August, isolated Canada from all other members with its support of agricultural marketing boards to the point that the president of the Canadian Wheat Board, a marketing board state-owned enterprise, was quoted:

> It was one against 146. We had absolutely no allies at the negotiating table, so there's no doubt that the WTO is not going to be a friend of either supply management or the Canadian Wheat Board (*The Gazette*, 2004).

During the December 2005 WTO Doha Round of multilateral trade negotiations in Hong Kong, Canada again had to defend the protectionist milk quotas dairy producers have enjoyed for the past 40 years due to complaints from other nations, notably the US and New Zealand going back to 1998 (Corcoran, 2005b; Vieira, 2005; Petkantchin, 2006). The WTO warned Canada that it was not meeting its WTO commitments toward trade liberation (Gervais and Larue, 2005; Hart, 2005a; Petkantchin, 2006). What is ironic is that Canada did comply to limit import trade restrictions on dairy and poultry products during the Uruguay Round of GATT, under the Agreement of Agriculture provisions, which became effective in January 1995, the same time the WTO was established. However, the trade restrictions were changed from nontariff import quotas (i.e. quantitative import restrictions) to a "tariff-rate quotas for imports of supply-managed farm products" (Veeman, 1997, p. 1556). Veeman (1997, p. 1558) presented a list farm products, ranging from milk, ice cream to turkey, with their corresponding import tariff rate. These high tariffs apply beyond a low-level import quantity and they will gradually be reduced over time. The import tariffs now stand at 299 percent for butter, 246 percent for cheese, 238 percent for chicken, and 168 percent for eggs, almost obscene rates for such common food commodities (Hart, 2005a, p. 3). The Organization for Economic Cooperation (OECD) has estimated "that Canadian milk prices have been two to three times higher than world prices since 1986" (Petkantchin, 2005, p. 1). It should be noted that the OECD price comparisons are not at retail but at farm gate prices, also referred to as industrial milk prices (Lippert, 2001). Moreover, in the past ten years, dairy prices in Canada have increased by almost 50 percent and just over ten percent in the past two years, while the per capita dairy consumption has declined by almost 15 percent between 1986 and 2003 (Corcoran, 2005b; Petkantchin, 2005). After close to eight decades of marketing boards in Canada and long debates by agricultural economists advocating their overdue reforms, Canada is now faced with unprecedented world pressure to modify its supply management system.

Purpose of the paper

From the 1930s, the Canadian agricultural industry has responded fairly well to major political, economic and technological changes. In particular, Canadian marketing boards have functioned more or less as expected, at least from a supply side (i.e. farmers' or producers' vantage point) as well as from a government policy perspective. Despite the diversity of products involved, from wheat, to chicken, to dairy products, and the numerous provincial and federal jurisdictions over agriculture, it is an industry not well known by consumers. Agriculture often evokes a pastoral and even romantic view of the family farm where farmers "out of deep love of the land and the rugged wholesomeness of farm work, are struggling to eke out a living out of their heroic dedication" (Corcoran, 2005a, p. FP15). Yet only 18,500 dairy farmers have the legal right to produce milk in Canada out of a population of 32.5 million; and if we include immediate family, the number represents less than 0.26 percent of the total population (Stanbury, 2002; Hart, 2005a). Moreover, it is becoming harder to accept their status quo given "the dwindling number of dairy and poultry farmers constituting less than one percent of the Canadian economy to continue to hold out against both domestic and international pressures" (Hart, 2005b, p. FP23).

The paper focuses on the importance of Canadian marketing boards in today's fast-changing global market and a need toward their market reforms. First, the paper discusses various ways to define marketing boards. Then, a succinct history of the establishment of marketing boards is presented followed by their purpose and their importance to the Canadian economy. The political and legal nature of such boards is also discussed for these raise civil and constitutional issues that are relatively unknown and seldom discussed. An analysis of how some supply agencies in specific countries, notably milk marketing boards in Australia, New Zealand and the UK, were deregulated in recent years is presented. The manner by which trade liberation came about in those countries is very pertinent to the current Canadian agricultural context. Finally, the authors offer some recommendations as to what needs to be done to make marketing boards more relevant to today's economy in order for Canada to meet future agricultural domestic and world competition.

What is a marketing board?

Marketing boards not only exist in Canada but in Europe and elsewhere but not in the US (Green, 1982). Many definitions have been suggested to describe the nature and function of a marketing board. There are many types of marketing boards as presented by Abbott and Creupelandt (1966). Under the economic infant industry argument, they are more prevalent in developing than in developed countries. Canadian boards can be national, provincial, inter-provincial, and can even be crown corporations (i.e. state-owned enterprises), such as the Canadian Wheat Board (Schmitz and McCalla, 1979). They are also non-profit organizations, such as the Canadian Dairy Commission (CDC), as are all the others. They are often classified by marketing functions (i.e. market service tasks that need to be performed to get products from farms to markets), depending on the function's involvement in the marketing process. While there are many types of boards (e.g. regulatory boards, price stabilization boards, and export monopoly boards), the supply management ones are the main focus in this paper. The nature of promotional boards is also briefly discussed next.

The promotional boards may carry out market research, sales promotion, and even impose a levy on producers to carry out such tasks. But promotional boards are not involved in marketing operations per se (such as buying and selling or transactional tasks). They act more like the advertising and promotional arm for the agricultural commodity and are thus involved in primary demand stimulation (but selective demand is possible if the board has specific brands). Such boards as well as most others are not the ones that give marketing boards their bad reputation, at least in Canada.

Supply management boards are the ones that are most troublesome from a public policy perspective for they control supply by assigning output quotas to individual producers. Such supply management boards are similar to a cartel and act as a self-regulated monopoly (Loyns, 1980). They control individual producer output, but also entry into the industry and fix prices for buyers. No wonder they have been the ones most discussed in the Canadian agricultural literature. Both developed countries (e.g. Canada, Australia and the UK) and most developing ones have or had such boards. New marketing boards have been recently established (Info-Prod, 2004; Bernama, 2004).

We prefer to use Forbes' (1982) definition of a marketing board because it is more suitable for a supply management type:

> A compulsory horizontal marketing organization for primary and processed natural products operating under government delegated authority (p. 2).

The compulsory feature means that all farms producing a given commodity in a specified region (i.e. a province) must adhere to the regulations imposed by the board and accept the board's marketing plan. Membership is not only compulsory but it also forbids others to join unless certain entry conditions are met, such as the ability to buy an established quota. The horizontal feature means that the board has direct and indirect control of all aggregate supply of the commodity due to its control of the output of all the farms participating in the marketing scheme. In other words, the board sets limits to output production. The delegation feature means that the government has delegated legal powers to the boards over price, output, and other economic and non-economic areas affecting the operations of the board. In effect, the board acts as a de facto agent for the various levels of government. That is why Lippert (2001) prefers to call them government-supervised cartels.

The US does not have marketing boards but has voluntary price support programs, marketing agreements and marketing orders, which many other countries also have, even those countries having marketing boards for commodities not under the jurisdiction of supply management (e.g. Canada). According to Hoos (1979), the US once entertained the thought of establishing them. But the monopoly powers they would have enjoyed, notably the supply quotas, would have gone against the free market ideology espoused by the Federal Trade Commission, the Justice Department and many other interested parties, even at the state level. Their creation in the US would have certainly been challenged in the courts and no doubt they would have been found to be illegal.

Organizational structure of marketing boards

In essence, there are as many organizational structures as there are marketing boards (Abbott and Creupelandt, 1966). Each marketing board is organized in such a way as to reflect the sources of supply conditions particular to the agricultural commodity being marketed. Most Canadian marketing boards have a chief executive officer (director) elected by member farmers themselves (Lippert, 2001). The government, at both levels, appoints others on the board. Consumers may also be members but as Forbes (1982) explained, they are all too often merely token representatives, often unfamiliar with agricultural marketing, more likely to be women or wives whose husbands are powerful farmers. In other words, board composition is heavily weighted toward producers' interests.

All marketing boards utilize marketing plans in order to coordinate and control the buying and selling activities of their commodity. Information gathering, price fixing, and supply management for the domestic and export markets, are some of the activities carried out by marketing boards. The operating budget of the CDC, as an example, is about $6 million CDN per year. Other boards have substantially higher budgets but they also include their promotional activities. Administrative costs such as office expenses, salaries, accounting and legal expenses, travel, election costs, as well as the cost of managing the aid programs, plus the cost needed to perform the various marketing functions (i.e. Alderson's accumulation, sorting out, allocation, and assorting functions) with the need for capital intensive infrastructures, the need for grading, branding, promotion and public relations, make them costly alternatives to a market mechanism or even to farm cooperatives.

In general, marketing boards have all the attributes of a business organization operating in a non-market setting. A few marketing boards operate on a broad supply chain, such as dairy products, eggs, turkeys, chickens, or tobacco. In these cases, marketing boards boast a great deal of control and power within the industry throughout the country. Factors that differentiate a marketing board from another one influence its impact on the commodity's distribution channel and ultimately market price.

Marketing boards have influenced the commercialization of agricultural products not only domestically but internationally as well. Most marketing boards finance their operations through licensing fees and payments from producers' returns. Due to the transactional nature of the agribusiness, it is difficult to estimate if marketing boards have been financially viable for agricultural producers, even since their inception in the 1930s (Drummond, 1960).

Development of marketing boards in Canada

Detailed information on the origins of Canadian marketing boards and how they operate in Canada can be found elsewhere (e.g. Perkin, 1951; Drummond, 1960; Forbes, 1982; Veeman, 1982; Green, 1982; Lippert, 2001). Only a brief account of marketing boards is presented here. Canadian marketing boards were organized at the time when our understanding of markets was much less sophisticated than today. Moreover, there were a lot more agricultural producers and the average size of each producer was much smaller. Marketing boards gained prominence in the 1930s during the Depression years, at a time when the Canadian economy was less industrialized than today. The agribusiness sector accounted for a more important share of the economic activity of the country, not only in terms of employment but also its share of the Canadian economy was much greater; it is now less than 1 percent for the dairy and poultry sector (Hart, 2005b). Today, the industry is less fragmented with less than one-third of farms accounting for over 80 percent of agricultural production (Veeman and Veeman, 1988). The Canadian agriculture sector is not only big business but profitable as well. According to Hart (2005a):

> The average dairy farm today generates a 25 percent operating profit, twice the average of all farms and three times the average for non-farm businesses, while providing a low return on equity because of astronomical value of quotas.

Stanbury (2002, p. 17) adds that dairy farms have on the average a "net worth nine times the median net worth of all families in Canada."

The literature on marketing boards shows that efforts to establish controlled structures in order to improve prices and stabilize farmers' income started in 1872. Back then, it was known as the Grange (Bank of Nova Scotia, 1977). They were established primarily to offset unstable market prices for agricultural products, which caused farmers' income to fluctuate too much. The first Canadian marketing board was legislated in British Columbia in 1927 when the BC legislature passed the Produce and Marketing Act. The law was declared unconstitutional in 1931 because it interfered with interprovincial trade and the levy imposed on members amounted to an indirect tax, an exclusive federal responsibility (Drummond, 1960). Thus, one cannot understand the present interorganisational structure of the agricultural sector of the Canadian economy without tracing the many laws that have shaped its structure over the years (Perkin, 1951; Drummond, 1960; Green, 1982). For example, the passage of such laws as the Natural Products Marketing Act (1934), the Agricultural Products Marketing Act (1949), the Canada Agricultural Products Standard Act (CAPSA, 1970), and the Farm Products Marketing Agencies Act (FPMAA 1972), have all contributed to the present arrangement.

An important act passed by Parliament was the Canadian Dairy Commission Act in 1966. It was only in 1970 that the CDC law was made operational. Similar to all marketing boards, the law was designed to benefit milk producers and the CDC was given the power to set prices across the country for industrial milk, which historically has accounted for 60 percent of all milk produced. It assured milk producers a stable income and protected them from the vagaries of the marketplace, notably lower-priced imports. A special committee created by the CDC Act, called the Canadian Milk Supply Committee, forecasts industrial milk supply then assigns to each provincial milk marketing board its quota for the year (Lippert, 2001).

Over time, these laws came to reflect the wishes of the Canadian Parliamentary system (at both the federal and provincial levels) toward agricultural policies. Green (1982, 1983) goes much further by arguing that the unique organizational character of marketing boards was to make federalism work and to stop or eliminate federal-provincial jurisdictional disputes, which are seen as destructive to the federation and hinder Canadian unity. Parliament, in the hope of gaining support from the provinces, gave some marketing boards constitutional powers to special interest groups working within a province so that they may control the marketing of some agricultural products. As an example, the CDC is much more relevant to eastern dairy farmers than western ones. More importantly, over 80 percent of milk production is located in Canada's two most populous provinces, notably Ontario and Quebec, with Quebec accounting for over 40 percent of all dairy production in the country. It is easy to see the potentially devastating consequences to Canadian unity if dairy quotas were modified or if milk-marketing boards were eliminated. Quebec dairy producers would be the ones most affected, which no doubt would raise increased separatism tendencies in that province. Notwithstanding the never ending federal-provincial disputes, in some ways, such boards promote Canadian unity and any tinkering with their operations may provoke not only an economic crisis among quota holders, but even a constitutional one.

Purposes of agricultural marketing boards

Agriculture has been a central component of business development in the Canadian economy even before Confederation. The agricultural market structure in Canada is quite distinctive. It is comprised of a large number of producers, scattered over a wide geographical area (8,500 kms long by 4,000 kms wide) with very few intermediaries and food processors that supply a large number of consumers. The agribusiness sector is hampered by unpredictable and often extreme weather conditions, short growing seasons. The country's topography and wide distances have also affected the logistics of such goods, unlike island-based countries such the UK and New Zealand (NZ).

Agricultural producers have sought price stability due to the seasonal and cyclical nature of the agricultural business, its competitive nature with its high distribution costs, as well as the perishability of the products themselves. Managing supply, and to a lesser extent, demand, were the main reasons for the creation of marketing boards. Marketing boards also weakened the economic power food processors and other middlemen had on producers, since the marketing board could function as the spokesperson representing all producers for that commodity. For example, three dairy processors purchase about 70 percent of the milk produced in Canada, e.g. Agropur Cooperative, Saputo and Parmalat Canada (Canadian Dairy Commission, 2005).

Initially, marketing boards were established to protect and support producers during difficult financial times (the depression years). Dairy products and poultry are the food products where agricultural producers have been the most highly protected from market price fluctuations. Some boards are administered at the federal level while others at the provincial level. Today, there are over one hundred marketing boards across the country; out of which over 20 are located in Ontario and more than 25 are in the Province of Quebec. The current number is rather difficult to obtain given the lack of available information and some boards may not be active.

Producer marketing boards were born out of necessity to provide market and political power that was in line with the power acquired by larger corporations (McInnis, 1958). Many countries have sought to improve the fortune of its own agricultural producers by establishing marketing boards. Some supply management marketing boards are unique to Canada, and have contributed in safeguarding the viability of the agricultural sector of the economy. Historically, some authors acknowledge that marketing boards have played a significant role in the industrialization of agriculture in Canada (McInnis, 1958; Troughton, 1989).

The majority of agricultural products have an inelastic demand, which makes agricultural prices highly susceptible to changes when supplies fluctuate (Bank of Nova Scotia, 1977). Agricultural revenues can be easily affected by changes in weather patterns, climate conversion, and abrupt emergence of diseases or parasites. Thus, agricultural producers are vulnerable to price changes and sometimes dependent on food processors and other middlemen. This transactional dependence gives some middlemen bargaining power and control over some agricultural producers (i.e. their suppliers). As a result, these middlemen are able to employ monopolistic practices in both buying and selling, according to microeconomic theory. The transactional attributes of the agricultural exchange process give middlemen an uneven and perhaps inequitable (at least in some circumstances) level of power over farm producers and they in turn become dependent. After all, many agricultural products are perishable and cannot be stored for long periods of time as in other consumer goods.

When market prices are unstable, food distributors and processors can refuse to buy a particular product due to the wide assortment of agricultural products offered to consumers. In theory, such distributors can pass on any price increases to the ultimate consumers, given their restricted numbers in the channel. These distributors possess a significant amount of influence in the food supply chain. However, marketing boards diminish the power exercised by agrifood distributors and processors along the lines espoused by Galbraith (1956) in his theory of countervailing power. However, control over supply, restricting entry into the industry and balancing the bargaining power of producers with select few buyers could not be done without government conferring to marketing boards the right to intervene in the marketplace, i.e. to use boards as a replacement for a free market price-setting mechanism.

The agribusiness sector is composed of a large number of interdependent groups and individuals having common as well as conflicting interests. Some are small family farms while others are very large. The divergent interests of these groups, their heterogeneity and the products involved make them turn to politicians to solve some of their market problems. Historically, political forces at both the provincial and federal levels have played a significant role in the establishment of marketing boards. Various governments in the past were notoriously active in upholding the virtues and presumed efficiencies of marketing boards. Such mechanisms represented the Canadian way of managing an economy, at least a sector of it. For example, the Trudeau government (the late 1960s and 1970s) was known to be a dogmatic defender and advocate of marketing boards (Loyns, 1980). As a result, it is no wonder that agricultural policies that relate to marketing boards have had considerable support both from Ottawa as well as from provincial governments. The extent of government interference in Canadian agricultural marketing is in sharp contrast to the American philosophy.

In brief, three main arguments can be advanced to justify the motivation toward their creation. First, an effort to reduce instability in returns to agricultural producers, providing them with a steady and rising income. Second, marketing boards can offset the disadvantageous bargaining position of agricultural producers vs. processors and distributors (i.e. many sellers with few buyers). However, this alleged lack of bargaining power by farmers assumes that all producers are economically similar, share the same interests, have similar management skills and entrepreneurial aspirations, and so forth, which is often not the case. In fact, the best farmers cannot capitalize on their comparative advantage (Frontier Centre for Public Policy, 2000). This second argument explains in part why farm cooperatives have not been popular in Canada relative to the US, except in Quebec with its Agropur Cooperative. It should be noted that the voluntary nature of farm cooperatives, a topic to be briefly discussed later, led to the establishment of marketing boards in the first place because some producers, referred to as free riders, refused to go along (Drummond, 1960). Marketing boards thus became an all or nothing proposition to farm producers.

Third, the establishment of marketing boards was necessary in order to reduce the perceived high margins earned by upstream food processors and distributors in the supply chain, at the alleged expense of farm producers. The high margin argument earned by higher-level channel members was actually investigated during the 1901 US Industrial Commission (Johnson and Hollander, 1988). Moreover, it is an age-old argument that can be traced back to Aristotelian (anti middlemen) philosophy where farmers' share of the consumer dollar is minuscule compared to what upstream channel members get. Of course, farmers and others too often forget the marketing functions, those intangible economic services that need to be performed all along the supply chain up to consumer purchases, and such services such as product transportation and handling, product availability on a timely basis, and product packaging and display, among many others, can account up to 60 percent of the consumer dollar, according to the classic study by Stewart *et al.* (1939), *Does Distribution Cost Too Much?*

The political nature of marketing boards

Canadian and provincial government authorities view marketing boards as political and legal apparatus that guarantees the elimination of food surpluses on the domestics market, and provide consumers with the availability and variety of agricultural commodities. Historically, agricultural producers in Canada have valued the nature of marketing boards, and even suggest that marketing boards have kept commodity prices at an acceptable level for consumers (Troughton, 1989). Many stakeholders support the argument that marketing boards have improved the productivity and efficiency of the Canadian agriculture sector. Marketing boards have also contributed to safeguard overall food supply and assuring Canada of agricultural food self-sufficiency, particularly in times of political or economical crisis (McInnis, 1958). As a result, the quality of domestic agricultural products has improved and has contributed to Canada's economic well-being and consumer welfare. However, such lofty contributions are hard to dispute or to prove because we do not know what would have happened to the agricultural sector if marketing boards had not been created in Canada.

Marketing boards are not only economic institutions but are inherently political agencies as well. According to Loyns (1980):

> They have become much more political instruments for accomplishing income transfer from other sectors to farmers, and for shifting the balance of market power more favorably to the farm sector.

A political will emerged over time to protect farmers from "destructive competitive" forces, an expression often used to denote the cruelty of the free-market mechanism toward small farmers. The formation of boards was therefore in the public's interest. In reality, the regulatory protection marketing boards receive only generates benefits to their members "at the expense of the polity as a whole" (Green, 1982, p. 40), and raise prices for all consumers, which fall more heavily on the poor.

For many decades now, agricultural economists have been clamoring for more accountability, transparency and market efficiency measures of marketing boards, even their elimination (e.g. Abbott, 1967; Green, 1982; Forbes, 1982; Veeman, 1982, 1987, 1997; Hart, 2005a). Marketing boards have been criticized for lacking in product innovation and offering "largely unimaginative, undifferentiated products, with a small amount of high-ends goods competing with small amounts of high-end foods allowed to be imported at relatively steep price" (Hart, 2005a, p. 7). More importantly, while productivity gains in agriculture have been rising for decades, these gains have been wasted by inefficient supply management while asking consumers to pay higher and higher commodity prices. It reminds us of what Borsodi (1927) stated almost 80 years ago: what is gained in manufacturing efficiencies is lost in distribution. Surprisingly, marketing boards are neither well known nor understood by the vast majority of the Canadian public. Yet they have:

> Economic, constitutional, and administrative law implications which are totally out of proportion to their relative obscurity (Green, 1982, p. 1).

He adds:

> Some marketing boards have transferred large amounts of income from consumers to producers and have substantially increased the wealth of a relatively small number of persons (p. 2).

Forbes (1982) is more blunt by adding that:

> The general aim of almost all boards is to ensure greater incomes for farmers and in many cases to funnel income transfers from the government and consumers to farmers when it is felt that the marketplace under-rewards producers for their efforts (p. 28).

Marketing boards have become a symbol of economic protectionism of the Canadian way-of-life, by restraining import competition and restriction domestic competition as well. With the establishment of marketing boards, Canadian governments have at times vacillated but eventually rejected to intervene directly in this sector of the economy, except by passing legislation in favor of their continuing existence. This hands-off non-intervention approach is now embedded in the culture of the Canadian agribusiness sector. That is one reason why governments prefer the status quo due to the sanctity of the Parliamentary system that recognizes and protects their existence.

With marketing boards, the pricing of agricultural commodities have become less of a political minefield for governments. Marketing boards receive little or no direct transfer payments from governments. After all, governments have relinquished price-setting powers to marketing boards and cannot be blamed for any price increases of agricultural commodities, no matter how volatile or hefty these might be. Price setting powers are in the hands of commodity producers and they are responsible for establishing equilibrium between supply and demand of agricultural commodities, and are therefore responsible of their own fate.

Even though they are called "marketing boards", the expression is a misnomer. Marketing is associated with a free price-setting market system. Yet marketing boards can stop any marketing effort done by individual agricultural producers. The selling of agricultural products is not the main preoccupation of these supply management boards (Loyns, 1980). In fact, Canadian marketing boards sometimes are more involved in anti-market practices such as price controls, imposing import limitations, trade protectionist lobbying efforts, organizing demonstrations to alert the public of their plight, and erecting trade barriers that shelter them from foreign competition. In fact, as the following quote says, the Ontario Milk Act, which created the milk marketing board, a lack of concern for market efficiency is apparent:

> In the Ontario Milk Act, no mention is made of efficiency or market failures. There is no preamble to the Act suggesting that regulation is needed to smooth out fluctuations in income or to provide orderly marketing. Instead, the supply of milk or eggs is limited by an enormous complex and burdensome formula. The Egg Marketing Board went as far as to attempt to prevent stores from selling eggs as loss leaders. Restrictions on supply are not the answer to any predilection to destructive competition in agricultural products (Trebilcock *et al.*, 1978, p. 27).

Veeman (1997) also makes the point that most farm producers continue to accept boards and for good reasons. She adds that while boards may aid farmers adapt to new technologies and may help producers seek new market opportunities, nevertheless boards need to adapt to a new business model, one which is presently anathema to the Canadian marketing board culture:

> Boards must see to be more flexible and to foster rather than impede technical and pricing efficiency instead of focusing on regulatory processes and procedures. Boards can pursue these ends through mechanisms of market information and by disseminating and encouraging the use of cost-effective technologies, contributing to effective and efficient grading systems and procedures, contributing to effective programs to expand markets, and aiding the development and application of on-farm food safety processes. Routine periodic mandatory efficiency and performance audits of boards could aid their accountability, as could routine periodic processes for farmers to reconsider continuation of boards and plans. However, the major inefficiencies and inflexibilities in Canadian marketing boards occur when high trade barriers are used to protect them from competition.

Consequently, agribusiness market opportunities are no doubt lost and producers cannot maximize their business potential. Marketing strategies are designed to help firms sell goods and services, and agribusiness organizations are no exception to this rule. Yet marketing boards regulate and confine members, restrict and even punish those that do not follow prescribed modes of behavior. A board member cannot sell to whom ever he/she chooses. A typical Canadian consumer cannot decide if he or she wants to go into an agribusiness sector (e.g. raising and selling chickens or eggs, or becoming a dairy farmer). The new entrant must first buy a supply quota, if one is available for sale at a hefty price. If not, then by law, the person cannot enter the business, no matter how innovative the business model, or how the person can supply new or unavailable farm products to consumers. Marketing boards can even impose sanctions and can recommend banishment from the group if members do not follow prescribed guidelines and procedures imposed by the marketing board.

Market opportunism is controlled in marketing boards, but it cannot be eliminated. Some members of marketing boards have been known to violate relations of trust by acting in their own self-interest. Consequently, some producers may seek to exploit a situation for their own business advantage, without considering the benefits to other stakeholders. We only need to be reminded of the famous case when some Western grain farmers acted in their own business interest and sold wheat to US customers for a higher price than what the Canadian Wheat Board was offering. Such export sales are in clear violation of the Canadian Wheat Board, a federal marketing board, which by law is the sole buyer of Western wheat and is the only organization allowed to sell on world markets. The Canadian Wheat Board took legal action and two farmers were arrested and were given jail sentences (Lees, 1997). In a more recent case, a Quebec chicken farmer was taken to court by the province's chicken marketing board for selling more than the allowable quota in 1999. The farmer went all the way to the Supreme Court of Canada on constitutional grounds to appeal his conviction when the board reduced his quota to zero and imposed a penalty of more than $2.4 million CND for selling 29 times above his allowable quota. The highest court of Canada dismissed his appeal in December, 2005 (*André Pelland* v. *Fédération des producteurs de volailles du Québec*). The most bizarre case in Canadian agriculture history has to be the sale of margarine. Soon after it was invented in France, the dairy farm lobby was successful in passing legislation making it illegal to manufacturer or sell margarine in Canada. Fast forward 120 years, Quebec is still the only jurisdiction in the world to ban margarine if it's coloured. Quebec's dairy farmers have argued that butter sales would decrease and thousands of jobs would be lost if the government permitted margarine to look more like butter. Unilever Canada claimed it was costing it at least $100,000 per month to manufacture, package and sell its Becel brand for the Quebec market only. The brand is butter-colored in all other markets except in Quebec, where the color is white as lard. The company argued not only was it a violation of the North American Free Trade Agreement (NAFTA) but the ban also violated the Interprovincial Trade Agreement, and the Canadian Constitution (Frontier Centre for Public Policy, 2005). In March, 2005, the Supreme Court of Canada upheld the right of the provincial dairy board, the Fédération des producteurs de lait du Québec, that it had the legal right to force margarine sold in the province to be different in color than butter (*Unilever Canada* v. *Fédération des producteurs de lait du Québec*, 2005). Finally, Green (1982, pp. 36-37) discussed the case of a Manitoba farmer who had initially opposed the establishment of a vegetable marketing board but was subsequently harassed by the board to the point that the Chief Justice who sided with the farmer expressed concern that such agricultural boards were a threat to civil liberties in Canada.

Consumers and marketing boards

The powerlessness of consumers in the face of such producer-controlled agricultural arrangements was eloquently expressed by Till (1938) almost 70 years ago and is still relevant today:

> There is no machinery provided for the articulation of the consumer's interest. He is a silent partner to price arrangements in which he has not participated and over which he has no control. In effect he is bound by an industrial agreement to which he is not a high contracting party (p. 511).

Similar to other industries, the consumer has been the least organized and the most vulnerable stakeholder of the agribusiness sector. Ever since marketing boards were established, it seems rather odd that consumers and agribusiness producers have not taken the time to fully appreciate each other's position in the marketing of agricultural products. It is not because consumers have not wanted to participate in the supply management process (Canadian Consumer Council, 1974). It seems producers simply felt that consumers did not know the functions of the agricultural industry. There was no need to include consumers in the management process of marketing boards. Yet marketing boards are an integral part of the government, known as regulated industries, similar to the other industries such as the telephone, gas, and electricity. A consumer presence, even in a consultative role, would have helped the industry. Hart (2005a, p. 8) remarked that in "the absence of a strong consumer lobby, politicians cater to the producer lobby rather than to broader interests." No wonder too many producers remain "committed to the system and invest more in political activity than in modernization" (Hart, 2005a, pp. 7-8).

Some consumers have blamed marketing boards for price increases. Yet, they cannot understand the complex pricing mechanisms of agricultural commodities. Marketing boards have failed to fully appreciate the impact their policies and actions have on consumers. Societal interests of marketing boards have for the most part excluded consumers. Izraeli and Zif (1977) have suggested the forming of societal marketing boards (SMB) that take into consideration the consumer in the marketing of agricultural products. According to them, SMBs would concern themselves with policy issues and overall resource allotment. SMBs would focus their attention on generating benefits to all stakeholders, and not just to producers. Of course, the creation of such boards assumes that macromanagers exist in these governmental bodies and that they have the knowledge and market expertise to balance state interests with consumer welfare (Bartels and Jenkins, 1977; Zif, 1980). Of course, such an ideal way of managing marketing boards is anathema to the very existence of the current Canadian supply arrangement, given their history and the legislative as well as constitutional powers boards have acquired over time. Perhaps under special conditions, SMBs may be possible for small countries, but not for large ones like Canada. Moreover, the Canada – US trade is the largest bilateral trade in the world and represents 85 percent of all Canadian exports. Besides, the establishment of SMBs would probably not be possible under NAFTA, the WTO, among other trade treaties.

For sure, Canadian consumers are arguably not benefiting from the current management organisation of marketing boards. Stanbury (2002) has estimated that just for dairy marketing boards, it cost Canadian consumers over $2.5B CND a year. On a per capita basis, it represents about $80 CND per year (but rising) or about $320 CND per family per year, an amount that cannot justify consumers to take any form of action. However, this amount represents a lot of money for poor families and falls unfairly on them; this amount is only for dairy supply management. Thus, one unintended consequence of a dairy marketing board is that it makes basic nutrition more expensive for the poor (Frontier Centre for Public Policy, 2001). In fact, milk now costs more than soda pop.

The high dairy prices paid by consumers represent a form of "tax the many" approach. The substantial amount being transferred to milk producers is a form of an indirect tax paid by all Canadian dairy consumers. Despite the high cost to the

Canadian economy of maintaining dairy boards, Canadian consumers seem to be oblivious to the way these boards work and the manner by which prices are established by these boards. For example, Hart (2005a, p. 4) reported that public opinion surveys (sponsored by the CDC) consistently show that 90 percent of Canadian consumers feel that dairy prices are fair and just and "that they would be prepared to pay even more to ensure sustained Canadian production." Of course, marketing boards have little or nothing to do with ensuring a domestic agricultural supply that prevent Canadian consumers from starving to death but more to do with guaranteeing agricultural producers a steady and rising income.

More importantly, their continuing existence reflects a strong political will at both the federal and provincial levels to maintain the status quo despite world pressures to change. As stated at the beginning of this paper, at the WTO Ministerial Conference held in December 2005, Canadian officials were adamantly opposed to any changes to the country's agricultural marketing boards (Vieira, 2005). But sooner or later, the long awaited agricultural reforms on boards will need to be implemented no matter what Canada says or feels about their existence. The old argument that the US or the EU has agricultural subsidies simply does not hold water on the international scene.

International agricultural market reforms and Canada

Supply-management oriented marketing boards have protected agricultural industries of many industrialized countries. However, marketing boards have also prevented poor countries from selling their commodities to wealthy countries. What is surprising in this twenty-first century is that Canada still has marketing boards for numerous agricultural products while many other advanced economies that had them, have since dismantled them. For, e.g. milk-marketing boards were eliminated or deregulated toward a freer market mechanism in such countries as Australia, New Zealand, the UK, and Korea (e.g. Bates and Pattisson, 1997; Franks, 2001; Petkantchin, 2005, 2006).

The deregulation of milk pricing in the UK, which took effect in 1994, when the various UK Milk Marketing Boards (England, Wales, Scotland and Ireland), in operation since 1933, were disbanded (Alcock, 1994). It reflected the UK government's policy toward privatization and free price-setting markets. Farmers were then allowed to sell their milk to anyone they wished at whatever price they could get. At the time, about two-thirds of dairy producers joined a voluntary cooperative, called Milk Marque, offering about the same terms as before (Bates and Pattisson, 1997). However, the existence of the co-op was short-lived. Franks (2001) explained the demise of Milk Marque was that it still had too much influence on milk prices, contrary to the goal of the deregulation policy to break up the UK milk monopolies. The UK government ordered it to be split into three regionally-based cooperatives.

What makes the UK case interesting for Canada is that initially, free-riders (i.e. non-members of the cooperative) were getting a premium price, which precipitated a decrease in the cooperative membership to about 50 percent by 1999. The majority of co-op members were then small, high cost milk producers, while the larger and more efficient ones left. Despite its weakened market position, Milk Marque invested heavily not only in milk production but in milk processing as well, a vertical integration model which impacted on its ability to offer a consistent price package to members. Nevertheless, Franks (2001) supports such a business model approach for the future and feels strongly that joint action is in the best interest of small dairy farmers. It removes free-rider behavior, and is similar to what is done in other European countries and even in the US. It also shows that many small dairy farms are willing "to accept lower prices in exchange for benefits of selling milk collectively" (Franks, 2001, p. 639).

The formation of an agricultural co-op is beneficial not just for small farms. It can create a well managed, market-driven and vertically integrated agrifood business for its farmers-owners. For, e.g. the Dairy Farmers of America (2006), a cooperative created in 1998 from the amalgamation of many regional cooperatives across the US, has over 20,000 farm family members producing about one-quarter of all the milk in the US. It is one of the country's most diversified and vertically integrated manufacturers of dairy products, food ingredients, as well as a leader in packaging shelf-stable dairy products in cans and glass containers. While it is a business owned by family farmers, it is nevertheless a world-class enterprise that sells its products and services all over the world. Similarly, the 1990s were marked by consolidation among dairy processors in the Canadian dairy industry. Agropur Cooperative in the province of Quebec emerged as a leader with about 4,000 dairy farm members out of a total of over 18,000 in the country. However, this co-op is not as vertically integrated as its US counterpart, due in part to the non-transferability of milk quotas across provincial borders and the lack of an efficient logistical supply system to serve the market from coast to coast. Unlike the US or the UK model, Agropur, along with other co-ops in Canada, are also responsible for respecting the mandatory supply quotas and their need to work closely with CDC and the various provincial milk supply boards and other agencies. No doubt the freer market approach of co-ops comes in conflict with the market restrictions of supply management. As a result, some farmers have become disgruntled and have shown a willingness to forgo supply management for export opportunities. The Georgian Bay Milk Company is a classic example foregoing supply management for export sales. The firm was unable to get quotas and sold milk at a lower price to the US, a price lower than what would have been obtained in Canada. But the high cost of buying the quotas would have made the sale unprofitable. As expected, the Dairy Farmers of Ontario has taken legal action against the opportunistic behavior of this firm, and the courts have yet to settle the question (Corcoran, 2005a; Stoneman, 2005).

New Zealand (NZ) provides an ideal example of how deregulation that began in 1984 has made this country a world leader in milk export (Sankaran and Luxton, 2003). The NZ Dairy Board Act of 1961 created the NZ Dairy Board, an agency that had monopoly over the export of all dairy products. In April of 2001, the monopoly power of the NZDB was abolished. Now, NZ is a major player on the world dairy scene exporting over 90 percent of its dairy production. In fact, NZ is known as the benchmark for world dairy prices. The NZ dairy industry is now the most efficient and productive in the world, having about 14,700 producers with an average sized herd of 200 cows, with production cost being more than two to four times less than other countries, such as the UK and Japan (Sankaran and Luxton, 2003).

One major reason why NZ achieved such production efficiencies was the implementation of vertical marketing approach in which the supply chain was managed throughout the country. In essence, the NZ business model simply borrowed known managerial practices used by multi-plant manufacturing firms to lower their distribution costs. In order to reduce logistical costs and achieve market efficiencies, a market integration approach is used which manages purchasing, manufacturing, scheduling, transportation, warehousing, information and other tasks as an integrated system (Sankaran and Luxton, 2003). Such an approach would now be impossible to implement in Canada not only due to the interprovincial trade restrictions but also the quotas given to each producer. Other marketing boards were eliminated in NZ except for kiwi exports other than to Australia (Petkantchin, 2005, p. 4). In contrast, Canada once enviable position in dairy cost production has slipped, with dairy export sales of $315 million CND out of $11 billion CND in 2003 (Hart, 2005a, p. 3), with an average number of 60 cows per producer or more than three times less the average in NZ, with Canada having 4,000 more dairy producers.

Similarly, Australia reformed its dairy marketing board system starting in 1999. Previously, dairy producers relied on supply management systems and they insisted on protectionist measures to protect them against imports. Dairy producers working with government officials, agreed to implement the Dairy Structural Adjustment program, a program to deregulate this industry over time toward a more free market-based system (Hart, 2005a). However, producers lost the value of their dairy quotas. To compensate dairy farmers, the Australian government shifted part of the financial package to dairy consumers by imposing a temporary tax on milk of 11¢ per litre until 2008 (Petkantchin, 2005, p. 4). Milk production was not reduced as expected with the elimination of price support. Farm gate prices were reduced as were retail prices for fluid milk, in spite of the temporary retail tax; processors and retailers did not raise their margins, as feared. In addition, Australian farmers added more cows to their herd, enlarged their farms, modernized their equipment, increased their non-farm revenues, and developed other areas of agricultural production (Petkantchin, 2006). The elimination of the milk supply management systems in the UK, NZ and Australia made the industry more competitive and dynamic, making the consumer the big winner. The transformation of milk marketing boards from import-restricted monopolies to free market agencies in these countries means that it can be done, and Canada cannot afford to wait much longer to implement desperately needed market reforms, at least in the milk sector.

Abolishing or reforming the milk marketing boards in Canada will be a troublesome issue, given that it now cost, on average, $29,000 CND to buy the quota for just one cow; this amount varies between provinces. Notwithstanding the value of a quota, the actual cost of purchasing one dairy cow also varies and can be much higher, depending on the cow's actual or potential milk output. In addition, a cow also has a salvage value. For a new entrant, it would mean spending over $1.5 million CDN to purchase just the quotas for an average sized herd of 60 dairy cows. More importantly, almost as much investment is required for land, buildings, farm machinery, equipment, and so forth as on quotas. It can take up to ten years to repay the loan. The total value of dairy production quotas in Canada is estimated to be in excess of $20 billion CND (Gifford, 2005, p. 62). If these were eliminated abruptly or over time, should farmers be compensated for the lost? Who should pay and how much to compensate dairy farmers are not easy questions to answer but they are at the heart of any future dairy reform or any other marketing board reform in Canada. The elimination of quotas will cause real capital losses for current milk quotas owners, about $1.5 million CND on the average per dairy farm. For sure, they will resist and demand compensation. In an analysis of pros and cons toward compensation, Stanbury (2002) very feels strongly that the government has no moral obligation to use taxpayers' money to compensate dairy farmers for their loss:

> For the government to pay is to add insult to injury from the perspective of milk drinkers and taxpayers. For decades they have paid higher prices for milk than have US consumers due to a policy established by government at the behest of farmers in order to increase their incomes. Now these long-suffering consumers and taxpayers are expected to pay yet more taxes to compensate the dairy farmers for the reduction in the value of milk quotas. To force them to do so is to legitimize the idea that it is right for a determined minority to exploit a large majority by means of their greater influence with government (p. 15).

After all, as was explained earlier, the economic benefits dairy farmers receive are not paid for by government but by consumers and other food processors and middleman. For example, the Canadian Restaurant and Foodservices Association (CRFA) has complained bitterly about dairy price increases and the discount prices offered only to frozen pizza makers (Reguly, 2004). In 2005, the CRFA even created a website enabling members to express their concern for fair Canadian dairy prices (www.gotmilked.ca).

Coleman (2001) suggests that a move toward market liberalism means farmers need to receive a direct income payment, not tax breaks, and that dairy farmers need not be compensated for the full value of their quotas. The amount needs to be fixed in advance, a cautionary move in case farmers may want more later due future changes in market conditions. Finally, taxpayers should burden the financial aid to farmers, a decision Stanbury (2002) would strongly disagree with. And if the Canadian government refuses to pay, for whatever reasons, it will near impossible to eliminate the supply management quota scheme, at least for milk.

The future of marketing boards in Canada

The important question we need to raise is how such boards can be modified when Canadian consumers themselves are in no hurry to force various levels of government to change the way boards now manage their business. Marketing boards and other agricultural support programs now face major problems in a twenty-first century market economy that is characterized by rapidly changing market conditions that require quick action in order for agribusiness firms to survive and succeed. Marketing boards may have been beneficial for farmers in the past and may have helped the agribusiness sector of the Canadian economy to develop and be competitive (Troughton, 1989). However, we have shown that the current structure of marketing boards now seems to be obsolete and some market reforms are required.

Marketing boards have been an integral part of Canadian agricultural policies and strategies for a long time. However, the industry's inability to respond quickly to abrupt and unexpected changes fashioned by economic and health related uncertainty has called into question the *raison d'être* of marketing boards and other agribusiness support programs. Exactly what needs to be done to the Canadian agribusiness supply system so that it may respond faster to political and economical uncertainty and to health threats is not an easy question to answer. What can the industry do to alleviate people's fears that the agrifood chain is safe not only for beef (which has no marketing boards), but also for those marketing board organizations for poultry, pork, vegetables, and genetically modified agricultural products such as wheat, canola, soy, and so forth? Should all Canadian marketing boards be dismantled? Or only those that are attracting much attention domestically and internationally, such as dairy and poultry? If so, what are the economic, political and social consequences not only to farmers but to the well-being of the country?

The European Union (EU) has not eliminated to any extent farm subsidies, much to the chagrin of the WTO. That being the case, why should Canada do it, given that the US could easily supply all of Canada's agribusiness needs for poultry, dairy, eggs, and many other agricultural products. To what extent should a country be self sufficient in agriculture, given that the slightest sign of a potential health risk can restrict or even block the importation of such food products into the country? Canada's economic position is very unlike EU members. As a result, Canada is highly vulnerable to the political whims of the US. Any health restrictions imposed on a food commodity can have devastating effects on consumers' dietary habits.

We have attempted to show that the structural nature of marketing boards have caused them to be rather inflexible, less innovative and deficient in the way they have been able to respond to current market conditions, especially when abrupt changes in demand require quick and decisive action. After all, this sector is similar to any other sectors of the economy. It needs to be more market-driven while the marketing boards system emphasizes efficiency in production methods, while at the same time respecting established quotas. It is not a sector in which modern management techniques pervade. Recall the use of supply chain management as used in NZ as the exception to the rule (Sankaran and Luxton, 2003). What is needed for the various components of this industry to be more market effective? The cartel-type of arrangement among suppliers does not allow an entrepreneurial farmer to out-compete or out-innovate other farmers, unless their supply quotas are purchased. Moreover, it does not allow outsiders to enter into the agricultural business unless quotas are bought from established farmers. No other industry in Canada has such a government-approved barrier to enter. As a result, many agrifood producers have benefited from past generous subsidies whose financial and social costs on consumers have been simply disproportionate to their social benefits.

For unclear reasons, such government-legislated agencies have escaped the public's eye, and their economic role has not been subjected to the same level of transparency, financial audits and social scrutiny relative to other public agencies, as was so eloquently argued by Veeman (1997). One could speculate as to why Canadian agribusiness producers have been so much protected. Perhaps it has to do with the nostalgic view of small family-owned farms feeding a hungry nation, an argument supported by Stanbury (2002), among others? In essence, what should the role of agribusiness farmers or producers be with respect to consumers in the management of marketing boards in Canada? We have argued that more consumer involvement in the management of marketing boards is inadequate and would not bring about the required market reforms the sector needs. Consumers are already represented on boards. Besides, supply management boards are like any other business and private sector enterprises do not have consumers as part their board of directors.

For sure, such organizations raise important macromarketing issues that have public policy implications not only on wealth redistribution and on disadvantaged consumers, but also serious administrative law and civil liberty issues as well, as have seen (Green, 1982, 1983; Forbes, 1982; Stanbury, 2002). Some marketing boards have serious supply management inefficiencies, notably those that have price fixing and quota setting powers that limit supply, with control entry powers. Too many such boards tend to protect themselves too much and shy away for the need toward market efficiencies in order to protect or provide relief to producers that are weak, unprepared or unable to upgrade their technological and managerial skills to compete in a more globalized and market-efficient world. Economic institutions of the twenty-first century require them to be productive and be able to adapt and respond quickly to external environmental changes in order to ensure their survival. Marketing boards were created during the Great Depression era when a large percentage of the population (over 40 percent) depended on agriculture for their standard of living compared to less than three percent today. This sector enjoys a disproportionate share of wealth and political power for their numbers. Some agribusinesses are big business, unlike the family farm of 50 or 75 years ago. This age of market globalization and accelerated market dynamics make marketing boards ripe to change.

How interorganizational relationships within agribusiness channels can be made more trustworthy and quicker to respond to environmental dynamism and uncertainty is a very complicated issue, certainly more complicated that merely incorporating changes in the way marketing boards are managed or changing aid support programs. Very little academic research has been done on marketing boards, especially from a managerial or a marketing perspective (Abbott, 1967; Green, 1982; Forbes, 1982). After all, business schools have shown very little interest toward agricultural marketing. One finds the interest mostly in agricultural economics departments. Moreover, current marketing and management cases that deal with this industry are very rare indeed. This is unlike the past (i.e. the pre-marketing mix era) when agricultural marketing was an important topic covered in most marketing textbooks and much academic research was done in this area. In fact, Bartels (1983) argued that the marketing discipline has given the false illusion of having expanded its horizons by embracing new topics (i.e. services marketing, cause marketing, social marketing, etc.), when in fact the discipline has constricted itself by neglecting important areas, such as agricultural marketing. After all, the money spent by consumers per year on agricultural products such as meats, fruits and vegetables far exceeds what is spent on other consumable commodities like toothpaste, razor blades or shampoo. The world market value just for fruits and vegetables is probably worth hundreds of billions of dollars and accounts for much more than the amount consumers spend on many convenience goods. The study of channels of distribution, vertical marketing systems, and logistics, among others, are fundamental areas that can bring about market efficiencies in agricultural marketing, but they are not part of mainstream marketing. The lack of attention given to distribution in schools of business prompted Stern and Weitz (1997, p. 824) to express much concern, given that distribution is revolutionizing ways of doing business on world-scale. After all, who would have thought just a few years ago that Wal-Mart, a member of the distributive sector of the economy, would be the world's largest firm?

The current organizational nature and structure of these supply management boards is anathema to a twenty-first century market economy where the need to respond quickly and decisively to market changes are as strategically valued as the goods being produced and sold. As previously discussed, marketing boards were established with good intentions. But presently, they prevent agribusiness members from taking initiatives to innovate and respond more quickly to current market demands.

Canada does not have an Interstate Commerce Commission (ICC), the US regulatory agency responsible for making goods, services, and people move more freely across state lines. Such a federal law would increase provincial economic integration and would help reduce overlapping and conflicting jurisdictions that hinder agricultural economic efficiency which cause competitive handicaps for the country. There are thousands of internal trade barriers that prohibit the free-flow of goods, services, and people across provincial boundaries. Yet, given that quotas could not be sold inter-provincially, the Supreme Court ruled in 1971 that it was against "the exclusive federal authority to regulate trade and commerce and conflicted with the constitutional provision for the free movement of goods between provinces" (Green, 1982, p. 29). The Federal government responded by passing the Farm Products Marketing Act in 1972, allowing for the establishment of national marketing boards.

The present fractional nature of the various marketing boards across provincial jurisdictions cannot hope to meet the needs of a customer seeking a national commodity supplier due, in part, to the quagmire that hinders interprovincial trade over the past century. Instead of squabbling over issues such as managing quotas, marketing boards should be tackling more strategic and pressing issues that pose more of a threat to their economic well being and survival. The current marketing board system discourages performance efficiencies and thwarts managerial innovation in a fast changing world. Quotas have become hefty entrance barriers for new comers in some agricultural commodity industries. As we have seen, marketing boards restrict the entry of potentially new and innovative participants. Such market restrictions are seldom seen in other industries.

Canada's major trading partners have not been pleased with the way marketing boards restrict imports. On the one hand, some farmers have been active in finding new foreign markets for their products, such as vegetables, in recent years. On the other hand, marketing boards have restricted some agricultural imports into Canada, such as dairy and poultry products. This agricultural trade imbalance cannot go on forever.

Managerial studies and marketing boards

Other sectors of the Canadian economy have expressed dissatisfaction at the near monopolistic character of marketing boards. Some have argued that marketing boards have become unwanted cartels, having the economic welfare of producers as their most important preoccupation (Veeman, 1987; Forbes, 1982; Green, 1982). Attempts on the part of marketing boards to restrict retail price volatility of agricultural products have been unsuccessful thus far. Yet marketing boards were established to protect consumers from abrupt changes in food supply. Such changes inevitably led to volatile retail prices. Notwithstanding their presumed economic benefits, marketing boards have not been subjected to the same type of market analysis and scrutiny as any other economic or business organization. As a result, their market performance and level of market efficiency have largely been a moot point (Abbott, 1967; Veeman, 1982). Recent management or marketing studies on marketing boards are very rare indeed. Summary reviews on marketing boards appear on occasion in the agricultural economics literature but not in the management literature. We have to go back over 25 years to find empirical studies on marketing boards, even those done in agricultural economics. For example, Martin and Warley (1978) tested the hypothesis that Canadian marketing boards successfully reduced market instability. Their results showed that marketing boards were not satisfactory in addressing market instability. A survey by Funk and Rice (1978) showed that agricultural producers were dissatisfied with marketing boards and that they failed to tackle agricultural production issues in Canada. Other studies have shown that marketing boards have contributed to price increases of some agricultural products. Thus, price-fixing mechanisms and supply restricting quotas under marketing boards have resulted in higher consumer prices, and such price increases were often seen as unwarranted (Loyns, 1980).

Managerial case studies of business organizations are part of a business curriculum. Moreover, the trials and tribulations of corporations are routinely discussed in the business press, so why not marketing boards or other agricultural support programs? After all, their numbers and sales level would seem to justify their study. Should the public know about them only during a crisis or when prices are raised? There is no reason why recent theoretical approaches could not be used to study how a marketing board functions and make decisions. For example, transaction cost analysis and supply chain management have been the focus of much empirical research in the field of management. Information technologies have transformed business organizations on a worldwide scale, but to what extent have such technologies impacted on marketing boards' day-to-day affairs? Do they use electronic data interchange (EDI), new or improved forecasting tools such as quick response models (QR)? How about the use of scanners or computer assisted ordering (CAO), or improved handling and storage methods? What are the transportation, materials handling or inventory carrying-costs relative to price? To what extent are marketing boards involved in warehousing management? What is their level of involvement, if any, in efficiency consumer response (ECR), a systemic analysis of the value chain from farm to fork? What are the benefits to consumers of primary demand stimulation and why is that price reduction of fluid milk to consumers is nonexistent in Canada? There is no reason why agricultural marketing could not benefit from any of these aforementioned managerial tools and analyses.

What happens when individual producers are more technologically advanced compared to other members or they have better managerial skills or are more entrepreneurial? We do not know to what extent such people have transformed the marketing board system. The agribusiness sector would then be studied more from an interorganisational perspective, with conflict, trust, and interdependency interactions rather than from a classical microeconomics one. Moreover, a political economy framework would also seem to be well suited toward a better understanding of the market behavior of marketing boards (Stern and Reve, 1980; Arndt, 1983). Irrespective of which newer approaches are used to study marketing boards, the main purpose is to make them more responsive to changes in market conditions. Genetically modified foods, health food issues and even bio-terrorism are some of the issues that need to be tackled by the industry. At the present time, the current organizational structure of marketing boards do not seem to be capable of addressing such issues, let alone propose appropriate solutions.

Conclusion

The monopoly powers of supply marketing boards are unparalleled relative to other sectors of the Canadian economy. The paper argues for the need to know more about them in order to implement appropriate market reforms for a twenty-first century economy. Farmers need to realize that they are part of the normal economy. Managing a farm is similar to managing any other business enterprise. Agriculture does not have a monopoly on unique market conditions requiring government intervention and support. All other enterprises in the economy also have special market conditions requiring special attention to succeed. The private club status they now enjoy is passé.

Canada needs to implement freer market reforms in the agricultural sector and the sooner the better. While supply management may have been established with good intentions in the past, this is no longer the case in this twenty-first century. Overall, supply management causes more harm to consumers and to the economy in the long run but also to farmers. It has made Canadian farms smaller, less able to vertically integrate and to take full advantage of the many modern management tools and information systems that have transformed whole industries. It is no longer a matter of choice but of urgent necessity to ensure a dynamic Canadian farm economy. As was shown, market liberalism, at least for dairy products, is a fact of life in many developed countries that had well-entrenched marketing boards. There is no reason why Canada cannot reform its own marketing boards. The type of market reform programs to be adopted will require careful negotiation and bargaining between producers and the government.

Our suggestion is to tackle milk supply management first, because that is the one that has been the most successfully reformed over the past years. Perhaps reforming milk-marketing boards will accelerate changes in other agricultural sectors? But exactly what changes need to be made remain more of a political question than a business one. Ontario and Quebec dairy farmers need to realize that they can longer count on more federal and provincial regulations to protect them from domestic and foreign competition. Perhaps more (small) farmers need to join cooperatives in order to appreciate the benefits of trade liberation. Such a suggestion, at least initially, may help them see the need to implement more modern management procedures such as vertical integration in order to achieve supply chain efficiencies. Farmers need to redefine their business as not one of producing milk or raising chickens or growing wheat, but of supplying improved and innovative nutritious foods to Canadian and world consumers. In other words, defining their business too narrowly limits their market potential. They need to expand their business model to include many other business opportunities, products and markets.

Irrespective of any forthcoming agricultural market reforms, more business research is needed to know more about the organizational structure of marketing boards, their level of management skills, their use of information technologies and their market performance. Performance audits are part of any normal business enterprise, such as financial and accounting audits, stockholders' meeting, boards meetings, the US SEC Form 10-K reports, and so forth. However, marketing boards are not so transparent and their accountability is mostly to themselves due to their nonprofit status. We need to know more about their modus operandi if we are to make them more efficient organizations acting more in the public interest. More managerial research needs to be done with a view for more environmental uncertainty, accountability and responsiveness. Improvements in their way of responding to market forces in terms of increased shared investments, increased levels of trust and cooperation among members, and a greater sharing of market information are due.

Information technologies and increased market prowess are removing economic and political boundaries that have protected this sector of the economy. We are slowly moving toward a borderless world marketplace. Marketing boards were created during an era when the world was less dynamic, less open and more regionally confined. Agricultural producers were protected and were conditioned to resist change. In marketing terms, the industry was much more production-orientated than market-driven. Today, their organizational structure needs to be more open, transparent, more democratic, more capitalistic, and adaptable to changing market conditions. With more freedom to adapt to market conditions, perhaps all marketing boards will evolve into private market-based institutions.

We are not recommending the abolishment of marketing boards *per se*. We do acknowledge that dairy and poultry boards need market reforms. Such changes may be able to guarantee a vibrant and sustainable Canadian agricultural business sector as part of a global economic environment.

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