

## NEWS

## Economists Have Doubts on Board's Potato Diversion Program



Matt Campbell  
Reporter

With the Potato Marketing Board currently limiting supply of potatoes in efforts to raise market price, or perhaps more accurately, stop the prices from falling, some economists have had doubts as to how effective of the strategy may be.

UPEI Economics professor Jim Sentence commented on the issue. "I'm a little skeptical. I'm not sure what PEI holds in the international market but I would be doubtful that destroying that amount would have a significant impact in the price. The farmers are not in a cartel position. They just don't control enough of the market."

Potato Board General Manager Ivan Noonan admitted there are some problems in the industry. "Our market is the world, and our share is never consistent." Noonan explained why PEI had adopted the strategy, "Webstats Canada told us that we had 150 million pounds too many, and if you want change something to the market you have to do it quickly."

The diversion program announcement alone made by the board caused Ontario to hold prices after three weeks in a row of falling potato prices. The current market value of a 10 lb bag of potatoes in Ontario is \$1.00. However, freight receives 35 cents on the dollar, leaving farmers with the remaining 65 cents.

The program outlines a basic method, in which 150 million potatoes will be donated, destroyed or turned into feed for livestock.

The Potato Marketing Board also has said that farmers may have to act individually. Sentence believes this raises concerns in regards to participation of farmers and the temptation to cut off the top.

"Individual farmers have to get



rid of the potatoes, the logical thing to would be a free rider," said Sentence. "Everyone will then become a free rider and nobody will participate. Benefits, if there are any, will go disproportionately."

However, there are a set of checks and balances in place to keep farmers who have signed the pledge in line.

Noonan explained, "We said look, we'll send a letter to the all of the growers with a pledge form. Anything dispersed, whether it be donated to local charities or chopped up in the snow-blower between January and February will help."

Noonan knows Island farmers are not alone. "We knew that New Brunswick had storage problems. The United Fresh Co-op in Idaho is trying to do something similar. Basic diversion, pledges, people measure bins and potatoes can be turned into compost. The strategy hopes to raise the market price by 62 cents per one hundred pounds.

Sentence believes the industry should be proactive to avoid these situations.

"If they lower production costs and raise prices what's to stop other farmers from doing the same thing? They should recognize the market price. Don't come crying for a handout for

compensation."

Sentence continued, "The potato marketing board should be thinking strategically by playing the different market options. They should be diversifying within the potato market. The trendy thing to do now is to get potatoes for processing. There is too much concentration on that right now. There are seed stock, table stock varieties, diversify and spread the risk".

Economics professor Robin Neill acknowledges that, there is, in fact, a short run problem in regards to the excess supply of Prince Edward Island Potatoes. This year's quota is fixed, and although there have been problems for the last three years, they all have been for different reasons. "In a sense the Potato Marketing Board is a cartel. It is a single-selling desk with quote levels established, limiting quantity in order to raise prices. However, it will work if PEI potatoes is a large enough market."

Neill continued, "Are they competitors? There are a lot of things you have to take into account. I want to see the numbers."

Even if the dispersion program is successful, we may not see the real return until roughly February or March. The program is funded by individual growers as there has been no government support for island farmers.

## NEWS SHORTS



Nick Stewart  
News Editor

## World Commemorates Liberation of Auschwitz

Last Thursday, the world marked the 60th anniversary of the liberation of Auschwitz, the largest and most notorious of Nazi death camps where 1.1 million people were killed by Nazis. The overwhelming majority of those systematically killed by the Nazis were Jews. Other groups killed at Auschwitz were Soviet POWs, Gypsies, Poles, disabled people and homosexuals. The death camp was liberated by Soviet troops on 27 January, 1945. A ceremony held in Auschwitz on Thursday was attended by world leaders, Holocaust survivors and surviving members of the Soviet unit which liberated the death camp.

## Newfoundland, Nova Scotia reach deal with Ottawa

On Friday night, Nova Scotia Premier John Hamm, Newfoundland Premier Danny Williams and Prime Minister Paul Martin reached a deal on revenue sharing of offshore resources. The deal gives a minimum of \$2.6 Billion to Newfoundland and \$830 Million to Nova Scotia over eight years. The deal is critical to Newfoundland which has been projecting a billion dollar deficit next year. Premier Danny Williams, who proved to be a very tough negotiator, walking out of meetings and removing the Canadian flag from government buildings, said he was pleased with the deal and 'proud to be a Canadian'.