

ELIMINATING THE SUPPLY MANAGEMENT IN CANADA'S DAIRY SECTOR

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Background

- Dairy Supply Board developed throughout the 1960's and 70's to stabilize the dairy market
- Influenced by move from export industry to domestic supply industry
- Dairy prices higher domestically due to regulations, pushing costs on end user and tax payers
- Federal government sets pricing through the Canadian Dairy Commission and provinces have individual supply boards
- Trans Pacific Partnership introduces an international pressure to export and limit or abolish supply boards
- Strong Dairy lobby with bipartisan, provincial, and industry support
- Dairy farmers don't just produce milk but also process it into dairy products

Key issue:

How to eliminate supply management in Canada's dairy sector to maximize free market benefits for consumers while minimizing the negative impacts on the dairy industry.

Analysis – Implications

POLITICAL IMPLICATIONS

- MAJOR PUSHBACK FROM DAIRY PRODUCERS; POTENTIALLY ALL AGRICULTURAL PRODUCERS (SETS A PRECEDENT)
- RESPONSE FROM INTERNATIONAL TRADE COMMUNITY
- RESPONSE FROM CONSUMERS

ECONOMIC

- MARKET INEFFICIENCY FROM THE CURRENT SYSTEM

JURISDICTION

- FEDERAL CANADIAN DAIRY COMMISSION
- PROVINCIAL SUPPLY BOARDS & LOBBY GROUPS

CONSTITUTIONAL

- AMEND THE CANADIAN DAIRY COMMISSION ACT, 1966

Options

1. Gradual reduction of quotas and protections (phase out)
2. Fixed transition date, fair compensation
3. Status Quo

1. Gradual reduction of quotas and protections

- 4 year reduction plan
- Support to develop export marketing

2. Fixed transition date, fair compensation

- Extensive stakeholder consultation

3. Status Quo

- Dairy producers will be happy
- High dairy prices for consumers
- Negative trade relations – lack of open market

Recommendation

Option 1; Phase out

4 year reduction with optional 5th year

First year is 15%

Second year is 30%

Third year is 30%

Fourth year lump sum 20% lump sum

Or 25% over two years on a provisional basis

FEDERAL

IMPLEMENTATION

- CDC REMAINS GOVERNING BODY FOR DAIRY, TRANSITIONING TOWARDS A ENFORCEMENT AND DISTRIBUTION OF SUBSIDIES AGENCY
- CDC WILL MANAGE EXPORT DEALS OVER FIRST 5 YEARS IN CONJUNCTION WITH THE VARIOUS REVIEW BOARDS

Provincial

- Provincial boards transition to review boards to help integration between old farms and new farms
- Farmer rollout overseen by provincial review board

FARMERS

- Quotas will be bought out over the five year reduction system
- New farmers will be provided partial startup subsidies on condition they function under the auspice of old system dairy farms and the provincial review board