

Policy and Approach to Eliminate Supply Management in the Dairy Sector

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Issue

Supply Management in Dairy:

- Limits competition
- Is inconsistent with free trade and TPP
- Creates inflated prices to consumers
- Doesn't allow farmers to be competitive in the market (worldwide)

Option 1: Free Market

- No Quota
- Open Market
- Compensation for Existing Quotas
- Investments in a Value-added Domestic Industry (Cheese, Milk, Yogurt, Butter)

Option 2: Replace a Quota with a Subsidy

- Compensate Farmers for Quotas with a Subsidy
- Increased Competition
- Prices Should Decrease
- Shifting Costs for Taxpayers

Option 3: Status Quo

- Prices Remain High
- Could Create Trade Barriers in Other Sectors (TPP)
- Agreeable to Current Quota Holders
- Secure Food Production

Recommendation

- Option 1 – Free Market and Support for Value Added Industry
- Rationale:

Pros

- Prices should decrease for Consumers
- Increased jobs
- Diversity of products
- Potential For New Markets
- Creates Jobs

Cons

- Angry Farmers
- Short-Term Costs
- Risks in Food Safety and Food Industry Not Developing

Implementation

Federal

- Identify Budget for Quota Compensation
- Ten-Year timeline for the Elimination of Quotas

Negotiate with Provinces

- Elimination of Milk Boards
- Development of Framework for Value-Added Investments and Market Access

Questions