



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**Proceedings of the Second
Canada/U.S. Agricultural and Food
Policy Systems Information Workshop**



**Understanding
Canada/United States
Dairy Disputes**



Edited by

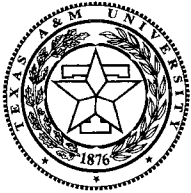
R.M.A. Loyns

Karl Meilke

Ronald D. Knutson

**Proceedings of the Second Canada/U.S. Agricultural and Food
Policy Systems Information Workshop**

Understanding Canada/United States Dairy Disputes



UNIVERSITY
of GUELPH



Edited by:

R.M.A. Loyns
Karl Meilke
Ronald D. Knutson

University of Manitoba
University of Guelph
Texas A & M University

December, 1996

Edited by:
Dr. R.M.A. Loyns
Dr. Ronald D. Knutson
Dr. Karl Meilke

Cover design by:
Bonnie E. Warkentine

Cover clipart:
WordPerfect Presentations

Published by:
Department of Agricultural Economics and Farm Management
Faculty of Agricultural and Food Sciences
University of Manitoba

Copyright © 1996
University of Manitoba

Printed by Friesen Printers
Winnipeg, Manitoba

Includes bibliographical references.

1. Agricultural and Food Policy. 2. Dairy Disputes. 3. Canada/United States.

I. Loyns, R.M.A. (U of M). II. Knutson, Ronald D. (Texas A & M). III. Meilke, Karl (U of Guelph). IV. Department of Agricultural Economics and Farm Management. V. Friesen Printers (Winnipeg).

ISBN 1-55056-520-6

All rights reserved. The authors and editors encourage readers to use this material liberally, directly or indirectly. We do retain our right for full and complete attribution of source and referencing.

Printed in Canada.

FOREWORD

This publication represents the second output of what the organizers hope will be a series of workshops and public information on Canada/U.S. policy and trade disputes. The first initiative was an analysis of the grains disputes; the second program and this publication deal with the issues of the dairy industries in both countries. The objective of the organizers of this initiative is to reduce the level and impact of policy differences, and stressed trading relations between Canada and the United States through dissemination of balanced economic information.

A great deal of effort and cooperation have gone into these programs to produce this output. The organizers are committed to a low budget operation with sometimes very tight deadlines; that means that the contributors do most of the work outside of the very nominal compensation we are able to make. That also means that a number of public and private institutions have indirectly contributed to the program and publication. We appreciate these contributions and wish to acknowledge the sharing by organizations, universities, private firms and branches of government on both sides of the border.

Direct funding for this program and publication came from three sources: the U.S.D.A., Agriculture and Agrifood Canada, and the Farm Foundation. We acknowledge these contributions and thank you for your continued support. We have been unencumbered in our planning efforts by this support and the program represents our own best shot at relevant and timely analysis.

The first named editor wishes to acknowledge the contribution of the authors, and his fellow editors; this is a significant undertaking, and most papers and the support of the other editors expedited the process. Alex Pursaga has worked on editing both years, and Bonnie Warkentine has done all the production work. Their contributions have been beyond compensation as well. Having said this, the senior editor also acknowledges and takes responsibility for failure to meet our time lines. The next publication will be on time.

The next program will occur in early March and has been fixed at the time of writing. We take the policy/trades dispute framework to the next logical level of policy consistency, compatibility, and harmonization, and this time in a tri-national context including Mexico. That publication is targeted for release in June 1997.

R.M.A. Loyns
University of Manitoba

Karl Meilke
University of Guelph

Ronald D. Knutson
Texas A & M University

December, 1996

WORKSHOP AUTHORS AND ORGANIZERS

Richard Barichello is Professor and former Head, Department of Agricultural Economics, University of British Columbia. Rick is recognized as one of a very few academic economists in Canada with intensive knowledge of the dairy industry.

Jack Bamford is in Policy Directorate, Agriculture and Agri-Food Canada (AAFC), Ottawa. He assisted in planning this workshop and was the primary source of information and writer of the Canadian Background paper.

Bill Blakeslee is the Vice-President in charge of planning for Mid-America Dairymen Inc., located in Springfield, Missouri. Mid-America is one of the largest U.S. dairy cooperatives with operations stretching across the country.

Tom Cox is Assistant Professor at the University of Wisconsin. He has developed one of the few equilibrium models for dairy policy analysis, as such he was a key analyst for the dairy process of the 1996 farm list.

Terry Crawford is the head of the Animal Products Branch of Economic Research Service of the United States Department of Agriculture (U.S.D.A.). In this position he serves as the leader of dairy marketing research in U.S.D.A.

Bob Cropp is Professor at the University of Wisconsin with primary interest in cooperational marketing. He is one of the foremost U.S. authorities on dairy marketing and policy.

Jack Gellner is Director of the Industry and Policy Analysis Division, Policy Branch, AAFC, Ottawa and one of the members of the coordinating committee for the workshops. His responsibilities include research, analysis and development on most aspects of federal policy, including providing analysis and advice related to the dairy industry.

Marcia Glenn is Vice-President, Production and Planning, Kraft Foods, Glenview, Illinois. Marcia has held positions in Agriculture and Agri-Food Canada in Ottawa, the Canadian Embassy in Washington, and Kraft Foods in Chicago.

Hal Harris is Professor in the Department of Agricultural Economics and Applied Economics at Clemson University. His research and extension interests include public policy, trade policy, dairy policy and agricultural marketing.

Ron Knutson is Director, Agriculture and Food Policy Center at Texas A & M University. Ron serves in many extension, teaching and research capacities in the policy arena; he is a member of the Board of the the Farm Foundation; and he is a member of the workshop coordinating committee.

Al Loyns is Professor of Agricultural Economics, University of Manitoba and a member of the workshop coordinating committee.

Don McClatchy is with Agriculture and Agri-Food Canada and has been involved in policy development and analysis of agricultural marketing systems.

Kempton Matte is with the National Dairy Council of Canada and is extensively involved with national dairy policy development and analysis.

Karl Meilke is Professor of Agricultural Economics and Business, University of Guelph. Karl is active in the International Agricultural Trade Consortium and he is a member of the coordinating committee for these workshops.

Don Nicholson is the Federal Milk Marketing Administrator in Tulsa, Oklahoma with responsibilities for the maintenance and management of the milk distribution system in several states.

Andy Novakovic is Professor and Chair of the Department of Agricultural, Resource, and Managerial Economics at Cornell University. He heads up the largest dairy policy research and extension program in the United States.

Rick Philips is with the Dairy Farmers of Canada and is actively involved in policy analysis and development.

Yvon Proulx is economist, union des producteurs agricoles du québec and a dairy farmer. Yvon was a professor in économie rurale, université laval for a number of years and has been involved in aspects of research inside and beyond the dairy industry.

Alex Pursaga is a Ph.D. candidate in agricultural economics at the University of Manitoba. He has contributed editorial and organizational support to both workshops.

Robert Romain is professor, économie rurale, université laval. He has conducted studies and published in the area of commodity marketing, including dairy and poultry regulation.

Robert Saint Louis is professor, économie rurale, université laval. His professional interests are focused on trade related and structural adjustment issues within the dairy sector.

John Schildroth is the Director of the Trade Competition Branch for the British Columbia Ministry of Agriculture, Fisheries and Food.

Mark Stephenson is Professor of dairy economics in the Department of Agricultural Economics at Cornell University.

Richard Stillman is a domestic and international dairy policy analyst for the Animal Products Branch of the Economic Research Service, U.S.D.A.

Dan Sumner is Frank H. Buck, Jr. Professor, Department of Agricultural Economics, University of California at Davis. Dan was Assistant Secretary for Economics, U.S.D.A. His research focuses on impacts of farm and trade policy.

Richard Tudor Price is a trade policy advisor with Agriculture and Agri-Food Canada, AAFC.

Michele Veeman is Professor and Chair, Department of Rural Economics and Sociology, University of Alberta, Edmonton. Michele is one of those very few long time academic analysts of dairy policy and programs in Canada.

Peter Vitaliano is Chief Economist for the National Milk Producers Federation in Arlington, Virginia. He works with dairy farmers, cooperatives, the congress and U.S.D.A. in the analysis and development of U.S. dairy policy.

Alfons Weersink is Associate Professor, Agricultural Economics and Business, University of Guelph presently on research leave at the Food Research Institute, Stanford University.

Bonnie Warkentine is Assistant to Head, Department of Agricultural Economics, University of Manitoba. Bonnie has done the production work on two manuscripts for the workshops.

Fred Woods is the coordinator for extension public policy education in the Cooperative State Research Education and Extension Service of U.S.D.A.

Robert Young III is co-director of the Food and Agricultural Economics Research Institute (FAPRI) at the University of Missouri. FAPRI conducts quantitative policy and impact analysis using a large scale econometric modelling system.

CONTENTS

FOREWORD / iii

WORKSHOP AUTHORS AND ORGANIZERS / v

BACKGROUND PAPERS / 1

Understanding Canadian/United States Dairy Disputes
Ronald D. Knutson and R.M.A. Loyns / 3

Canada/United States Data Conversion Tables
Agriculture and Agri-Food Canada / 7

The Canadian Dairy Sector: Structure, Performance and Policies
Agriculture and Agri-Food Canada / 11

The U.S. Dairy Industry
Richard Stillman, Don Blayney, James Miller and Terry Crawford / 53

THEME: WHAT IMPACTS HAVE PAST U.S./CANADIAN DAIRY POLICIES HAD ON STRUCTURE, EFFICIENCY, AND TRADING RELATIONSHIPS? / 87

What Impacts Have Past U.S./Canadian Dairy Programs Had on Structure, Efficiency, and Trading Relationships? U.S. Analysis
Bob Cropp and Hal Harris / 89

U.S.-Canadian Dairy Trade Tensions: The Nature And Effects of Canadian Dairy Policy
Michele Veeman and Robert Saint Louis / 105

— Discussion —Impacts of Past U.S./Canadian Dairy Programs on Structure, Efficiency, and Trading Relationships
Donald R. Nicholson / 125

— Discussion — Impacts Of Past U.S./Canadian Dairy Programs on Structure, Efficiency and Trading Relationships

Rick Phillips / 133

THEME: WHAT IMPACTS WILL CONTEMPORARY POLICY CHANGES HAVE ON STRUCTURE, EFFICIENCY AND TRADING RELATIONSHIPS? / 137

Analysis Of Recent Options For Changes In U.S. Dairy Policy

Tom Cox and Daniel A. Sumner / 139

Prospects for The Canadian Dairy Sector Following The Upcoming Nafta Panel Ruling

Richard Barichello and Robert Romain / 163

— Discussion — Impacts Of Contemporary Policy Changes On Structure, Efficiency, And Trading Relationships

Bill Blakeslee / 197

— Discussion — Contemporary Dairy Policy Changes In Canada: A Western Canada Perspective

John Schildroth / 201

THEME: ANALYSING THE POTENTIAL FOR INCREASED TRADE / 205

Potential Implications Of Freer Trade For The United States And Canadian Dairy Sectors: A Spatial Analysis

Andrew M. Novakovic, Maurice Doyon and Phillip Bishop / 207

Analyzing The Potential For Increased Trade In Dairy Products: A Canadian Perspective

Karl Meilke, Rakhal Sarker and Danny Le Roy / 241

— Discussion — Analysing The Potential For Increased Trade: Modeller's Perspective

Robert Young / 273

— Discussion — Analysing The Potential For Increased Trade

Alfons Weersink / 275

THEME: POLICY DEVELOPMENT AND PROGRAM ASSESSMENT NEEDS, DAIRY POLICY RESEARCH NEEDS / 281

Policy Development And Program Assessment Needs: A Policy Analyst Perspective

Terry Crawford and Richard Stillman / 283

A Canadian Policy Analyst's Perspective

Richard Tudor Price / 291

— Discussion — Policy Development And Program Assessment Needs: U.S. Producer Perspective

Peter Vitaliano / 295

— Discussion — A Producer Perspective On The Future Of Domestic And Trade Dairy Policy In Canada

Yvon Proulx / 299

— Discussion — An American Processor's Perspective

Marcia Glenn / 305

— Discussion — A Canadian Processor's Perspective

Kempton L. Matte / 309

THEME: REFLECTIONS ON DAIRY POLICY RESEARCH NEEDS / 313

Summary Of Research Needs

Alfons Weersink / 315

What We Learned

Ronald D. Knutson, A.J.W. Pursaga and R.M.A. Loynes / 321

PARTICIPANTS / 323

BACKGROUND PAPERS

OBJECTIVE

To provide relevant background information on the United States and Canadian dairy sectors as well as a general description of the policies of both countries.

