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# Impact of Market Access Reforms On the Canadian Dairy Industry

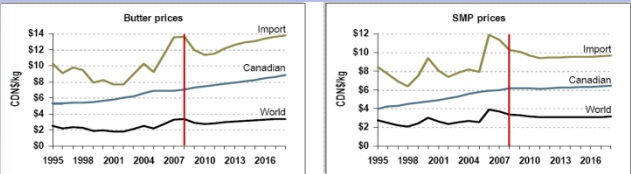
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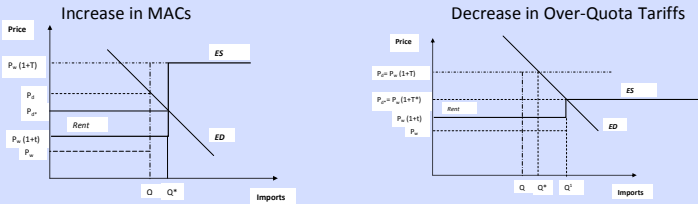
## Introduction

- Current modalities in the ongoing Doha Development Agenda (DDA) negotiations contain several threats to the Canadian dairy industry. Changing the levels of market access commitments (MAC) and tariffs may affect the current border protection for Canadian supply managed industries.
- Currently the Canadian dairy industry is supply managed, and prices are set based on a cost of production formula. This insulates the Canadian market, and domestic prices are higher than the world prices. In order to protect the domestic market, imports are constricted, by tariff-rate quotas, and the foreign imports prices are prohibitively high.



## Objectives

- Analyze the potential welfare effects on the Canadian dairy industry if over-quota tariffs are reduced and MACs are increased.
- Changes in MACs and over-quota tariffs will yield different welfare effects.



## Methods

- Use a partial equilibrium model (PE) calibrated to 2007 Canadian data.
- Account for world price uncertainty by adding stochastic variables to PE model to account for world price uncertainty.
- Look at four different scenarios.
  - Extreme liberalization: 70% cuts of over-quota tariffs on dairy product imports, and 5% increase of last years domestic consumption.
  - Extreme liberalization with uncertainty: Extreme liberalization with the addition of stochastic world prices.
  - Moderate liberalization: 23.3% cuts of over-quota tariffs on dairy product imports and 4% increase of last years domestic consumption.
  - Moderate liberalization with uncertainty: Moderate liberalization with the addition of stochastic world prices.

## Results

Welfare Analysis				
	Extreme Liberalization	Extreme Liberalization with Uncertainty	Moderate Liberalization	Moderate Liberalization with Uncertainty
Producer Surplus	-	-	-	-
Consumer Surplus	+	+	+	+
Overall impact	+	+	+	+

## Discussion

- It is expected that the majority of trade liberalization scenarios will have a positive impact on the overall welfare of the dairy industry.

## Conclusion

- Each potential trade scenario has a different impact on the Canadian dairy industry.