



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.*



Impact of Market Access Reforms On the Canadian Dairy Industry

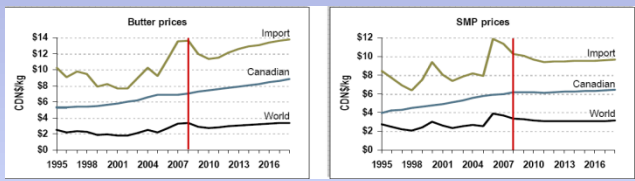
Anastasia Hacault¹, James Rude², and Jared Carlberg¹.

¹Department of Agribusiness and Agricultural Economics, University of Manitoba, Winnipeg, MB, Canada, ²Department of Rural Economy, University of Alberta, Edmonton, AB, Canada.



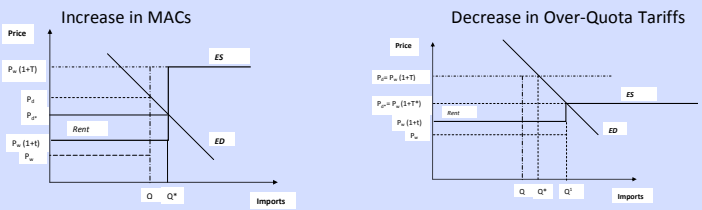
Introduction

- 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.