

If NAFTA Talks Kill Supply Management, the Dairy Sector would Actually Benefit - New Policy School Report

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Calgary – It would be hard to call Canada’s policy of protecting its dairy sector through supply management a roaring success. Canadians face the most expensive milk anywhere, so naturally Canadians are consuming less and less milk. As demand for dairy products soars worldwide, Canadian producers are stuck at home with a stagnant market. Being protected has left them unmotivated to innovate and improve productivity, so they cannot compete with other dairy-exporting countries. And by keeping the domestic dairy market outside of free-trade deals like NAFTA, the Canadian government has missed the opportunity to open foreign markets to Canadian dairy.

Today, The School of Public Policy with authors Eugene Beaulieu and V. Balaji Venkatachalam released a report that paints a picture of NAFTA renegotiations as an opportunity for the dairy sector. If Canada must dismantle supply management some producers will suffer in the short run, but the industry as a whole will become more productive in the long run. Just as important, Canadian consumers will gain.

According to co-author Eugene Beaulieu, “Today, finally, there is an opportunity for change. If governments in the past could not effectively counter the dairy lobby with a good enough reason to change the system, they have one now: Donald Trump. In renegotiating NAFTA, the White House has made it clear it is looking for Canada to start dismantling supply management for dairy. Canada should seize the opportunity. Trump is doing us a favour.”

Canada’s underperformance in dairy is stunning given the country’s world-class strength in other agriculture and agri-food sectors. In 2015, Australia exported more than **US\$1 billion** worth of dairy, New Zealand more than **US\$5 billion**, and the United States exported more than **US\$2.5 billion**. Canada, meanwhile, exported a pathetic **US\$116 million**.

Experience from other Canadian sectors exposed to free trade shows that there will be fallout. Weaker producers will exit the industry, making way for more-efficient producers to grow. But in the end, there is every reason to believe Canada can compete effectively internationally and could well see the sort of phenomenal growth in its dairy sector that Australia and New Zealand have enjoyed, all while making groceries cheaper for Canadian consumers. If NAFTA renegotiations are finally the impetus for Canada to undo the failed policies of supply management, then Canadians should consider that a success.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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