



NEWS RELEASE

With Canadian milk in NAFTA crosshairs, Australia is proof consumers and farmers can benefit from phasing out supply management

July 17, 2018

For immediate release

VANCOUVER—Canadian consumers and the dairy industry could both benefit by phasing out supply management, as evidenced by Australia’s recent experience ending its own protectionist dairy policies, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think tank.

U.S. President Trump has made Canada’s supply management policies—which control the price and production of dairy products as well as poultry—a key issue in the ongoing NAFTA negotiations.

“With supply management taking centre stage in the NAFTA talks, Australia offers an important lesson for Canada—ending protectionist trade policies can have positive benefits for both consumers and producers,” said Dan LeRoy, Fraser Institute senior fellow and associate professor of agricultural economics at the University of Lethbridge.

The study, *Phasing Out Supply Management: Lessons from Australia’s Dairy Industry*, finds that immediately following deregulation of Australia’s dairy industry in 2000, the price of milk dropped 12 cents per litre, which like Canada, disproportionately affected lower-income Australians.

And since deregulation, dairy farmers in Australia have seen farm gate prices—the price farmers receive for their product—rise 56 per cent.

“With a more open, competitive system, consumers can benefit from lower prices while farmers also benefit from higher revenues. The key is achieving more productive farms,” LeRoy said.

In fact, Australian milk farmers now export about half their product, making dairy the country’s third most important agricultural export after beef and wheat. Annually, Australian milk exports total about AUD\$3 billion.

A critical lesson for Canada is how Australia phased out supply management for its dairy sector. From 2000 to 2008, Australia charged an 11 cent per litre levy on milk to fund programs that helped dairy farmers adjust to deregulation or transition out of dairy farming.

“Australia is proof that, if done correctly, ending supply management can benefit consumers, farmers and the industry as a whole,” LeRoy said.

“Canada’s high milk prices—the result of supply management—hurt low-income families the most, so even though the NAFTA talks may serve as a catalyst, policymakers should have considered phasing-out this policy a long time ago.”

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