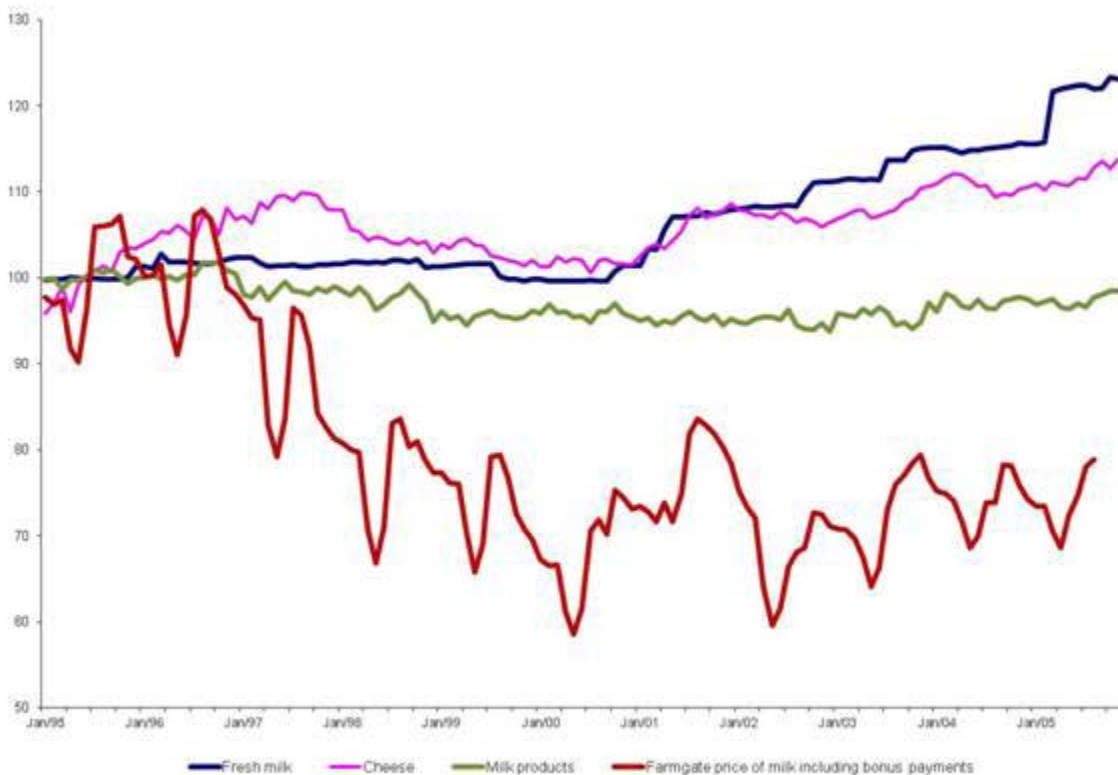


BACKGROUND

Would consumers get cheaper products without supply management?

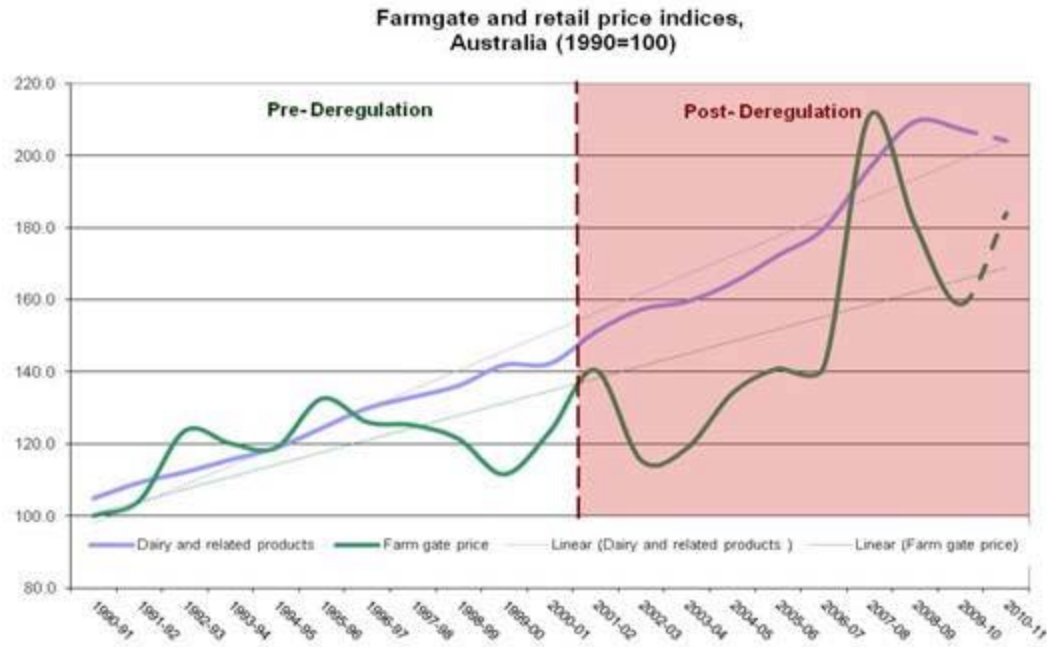
No. Deregulation of the dairy systems in UK and Australia has caused farm prices to come down, but consumer prices kept increasing with inflation. A similar scenario happened when prices for beef animals dropped because of BSE in 2003: farmers suffered, but retail prices remained pretty much the same, except for a short time, where they were lower. The intermediaries simply increased their own margin after deregulation. Neither farmer nor consumer benefit from deregulation.

The first 10 years after deregulation in the United Kingdom



UK: Deregulation in the UK in 1995 resulted in 3 different co-ops being formed, because the government did not think one big co-op was “deregulation”. Farm price went down, consumers did not see a difference in the stores and now, almost 20 years later, UK farmers are still fighting with imports to try to supply local milk to the population.

10 years following deregulation in Australia



Australia: the dairy products price index continued to increase Post-deregulation and has increased at a faster rate than during the 10 years before deregulation. At the same time, the farm price became more volatile, yet this volatility is not reflected in the retail prices. Consumers have not benefited from deregulation because retail prices have not declined. Producers have not benefited due to reduced stability in their farm price. Furthermore, despite the retailer promise to cut only their own margin in recent years where they have decided to boldly cut the price of milk, this is not what has occurred. In periods of low farm prices, producer margins are cut. But retail prices have not declined by as much (or at all in some cases), leading to larger decreases in producer margins than in the processor margins.

New Zealand: one co-operative that processes 95% of milk in the country is not a “deregulated model”. The force in New Zealand is in farmers working together. The fact that they have the natural advantage of perfect weather for cows, without needing barns and equipment needed in the Northern hemisphere is not negligible.

Producer Support Estimate

The OECD has cautioned about the wrong use of the Producer Support Equivalent, which is how this reports portrays the number. The PSE is not an indication of whether farmers can actually make a living from farming. It simply compares the price & subsidies that farmers get in different countries. It does not look at the actual retail prices in these countries. If it did, it would show that Australia and New Zealand retail prices for milk are similar to those in Canada.