

How Do Economists Perceive Canadian Dairy Supply Management?

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Introduction

Canadian dairy supply management is a marketing mechanism in the Canadian dairy sector that stabilizes the price of milk and pay the cost of production to farmers. It was established to respond in particular to a production surplus period in the 1960s.

Recent trade agreements or trade talks have put the Canadian dairy supply management on the spotlight, and its pertinence has been questioned.

To better understand the perception of Canadian economists on the subject, 17 in-depth interviews have been realized, followed by a survey sent to 2,200 economists in Canada.

Results indicate that 51% of the economists in the sample are not favorable to supply management while 43% are. Three types of economists have been identified among the ones not in favor, while two types were identified among the ones favorable.

Finally, the probability of being in favor in supply management is related to the level of agricultural economic heterodoxy, the attitude toward "other" functions of agriculture, applied knowledge of the Canadian dairy sector, as measured by our survey, and level of experience.

Research objectives

Main objective:

To investigate how economists perceive supply management in the Canadian dairy sector.

Specific objectives:

- 1) Make a portrait of economists perception on supply management
- 2) Create a typology of economists
- 3) Identify variables that motivate attitudes and opinions of economists

Literature review

Three pillars of supply management:

- ❖ Production management (quota)
- ❖ Import control (tariffs)
- ❖ A pricing policy that covers production costs

Critics of supply management

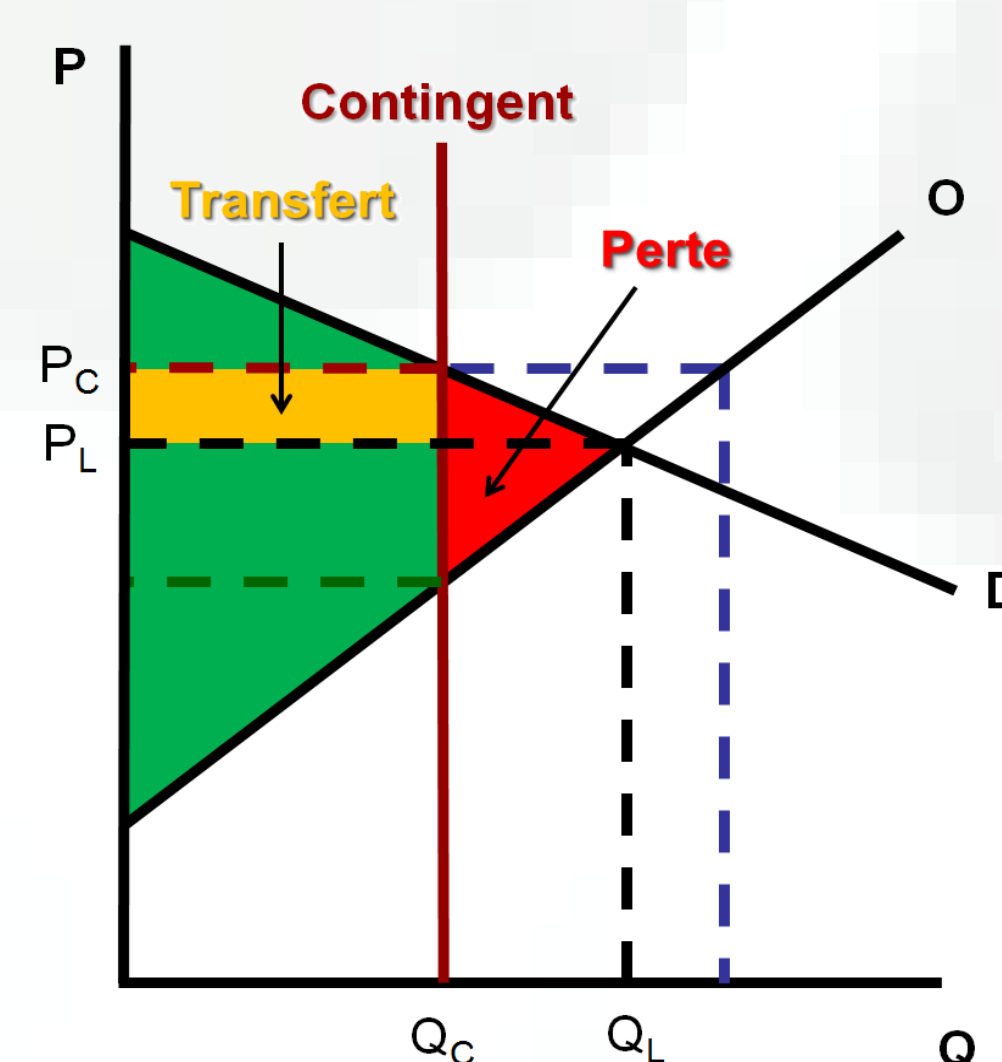
- ❖ Import tariffs
- ❖ Creation of a monopoly
- ❖ Negative effect on productivity
- ❖ Decrease varieties
- ❖ Rent creation
- ❖ Loss of well-being

Arguments in favour of supply management

- ❖ Coordination problem inherent to agriculture
- ❖ Mitigate market power of buyers
- ❖ Problem of price transmission
- ❖ Tariffs are necessary to ensure a stable price
- ❖ Models of the critics are based on strong assumptions

Theoretical framework

Economic theory and supply management:



Key concepts:

- ❖ Attitude
- ❖ Opinion
- ❖ Likert scale and statements
- ❖ Measuring instruments

Methodology³

Literature review on supply management

17 interviews with economists

Survey (427 respondents)

- Attitude on supply management
- Attitude on intervention in agriculture
- Complementary variables (knowledge of supply management, general economic opinion, demographic variables, etc.)

Analysis of the results:

- Descriptive statistics of the sample
- Typology of economists using factorial analysis
- Logit on opinion regarding supply management

Typology of economists

Liberal Theorist (unfavorable):

- General and agricultural economic orthodoxy
- Negative attitude regarding SM
- Negative attitude regarding Ag others functions
- No need for intervention because no market problem

Liberal Pragmatic (unfavorable):

- General economics orthodoxy, heterodoxy in ag
- Negative attitude regarding SM
- If SM eliminated, will have to be replaced by something else

Cynical (unfavorable):

- General and agricultural heterodoxy in ag
- Negative attitude regarding SM
- Market problems exist, but economic prescriptions are screwed up by the authorities

Interventionist Pragmatic (favorable):

- General economics orthodoxy, heterodoxy in ag
- Positive attitude regarding SM
- If SM eliminated, will have to be replaced by something else

Interventionist (favorable):

- General and agricultural heterodoxy in ag
- Positive attitude regarding SM
- Positive attitude regarding Ag others functions
- If SM eliminated, will have to be replaced by something else

No opinion (not favorable or unfavorable):

- Tend to answer on the middle of the Likert scale
- No clear tendency

Sample description

- ❖ 427 respondents
- ❖ 51% unfavorable to the supply management
- ❖ 43% favorable to the supply management
- ❖ 6% without opinion to the supply management
- ❖ 39% are agricultural or applied economists
- ❖ 44% are academics
- ❖ 47% work in Québec

Logit test results

The following variables have a effect on the probability of being favorable to supply management.

Significant variables:

- Orthodoxy in agricultural economics (-17%)
- Agricultural others functions (+16%)
- Applied Knowledge (+13%)
- Experience (+0,65% per year)

Marginally significant variables:

- Agricultural Economist (+18%)
- Academic (-15%)

Conclusions

- ❖ A wide variety of attitudes exist within the economist group that is unfavorable, and to a lesser extent favourable, to the supply management.
- ❖ Applied knowledge is a key variable regarding attitude towards supply management.
- ❖ The type of work influences the attitude towards supply management.
- ❖ Age has a negative impact on the attitude toward SM

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