



GEORGE MORRIS CENTRE

News Release

The Role and Impact Of Renewed Canada – US Trade In Dairy Heifers and Dairy Breeding Stock

Guelph, ON (February 24, 2006) A special report released today by the George Morris Centre, and co-authored with Informa Economics, assesses the impact that a US border re-opening would have on Canadian dairy cattle exporters. The study was undertaken, at the request of the Canadian Livestock Genetics Association, to determine the economic effects of disrupted trade in dairy replacement heifers due to BSE restrictions. Researchers profiled the markets in both countries, consulted with market participants, and analyzed the market dynamics of dairy replacement heifer pricing in the US.

Prior to the BSE case, which precipitated the border closing in May 2003, the US based their imports of Canadian dairy cattle on demand, price, exchange rates, and preferences for premium quality. Several of those factors have changed dramatically in the time since, including a vastly different currency exchange rate, a sharp decline in productive capacity and infrastructure, and a significant number of Canadian dairy cattle exporters who have gone out of business or ventured into new business opportunities. “There is no stampede of Canadian dairy replacement heifers poised to charge southward when the border is re-opened” says Al Mussell, senior research associate at the George Morris Centre, and one of the authors of the study.

Although most US producers and dealers believe that the border closing is inappropriate and should be lifted, there are those who disagree, based on a perceived correlation between the closure and US milk prices. “Although some in the US dairy industry have made a connection between the border closing and increased US milk prices, we found no empirical evidence to support that assumption” says Mussell.

Canadian and US industry participants who took part in the study feel that trade would be slow to resume when the border re-opens, and they are not at all sure that previous trade levels would again be reached. What is clear is that the dairy industries in both countries have been hurt, and the sooner trade can resume, the better.

The complete report is available on the George Morris Centre website:
www.georgemorris.org

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The George Morris Centre is a national, not-for-profit think tank specializing in the Canadian Agri-food sector. The Centre provides perspective, critical information, strategic analysis, and planning, as well as education on issues affecting the sector.