

## **Zoe Cambell's Project**

In order to maintain an effective supply management marketing system. Canada's dairy industry has largely been protected from import competition. Of interest in this research are the incentives facing dairy farmers to collectively contribute toward research and development (R&D) in a protected supply-management regime versus a free-trade competitive regime. On the one hand, supply management creates positive incentives for farmers to contribute toward R&D because the negative impact of efficiency gains on the farm price of milk is smaller when supply is managed versus sold in a competitive market. On the other hand, supply management creates negative incentives for farmers to contribute toward R&D due to a lack of import competition. If a dismantling of Canada's supply management regime was to result in a significant increase in the import share of the domestic market, then R&D contributions by Canadian producers would be expected to fall below current levels.