

# **Interregional Dairy Cost Efficiency Comparison: The Case of Alberta and Ontario**

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Over the past few decades, several studies have been devoted to measuring the relative (technical, allocative, economic and other) efficiencies of individual economic units in the dairy and other industries in Canada. Despite this fact, there is little work that compares interregional cost efficiency across provinces in the dairy industry. Evaluations of cost efficiency differentials across provinces are potentially useful in helping to predict the future geographic structure of dairy production.

Based on the theory of the stochastic production frontier, this study has two main purposes. The first is to estimate separate stochastic cost function for both provinces and to measure farm specific cost efficiency. The second focus is testing the for interregional cost efficiency differential. The data for this study is obtained from survey conducted from 1980-96 for Alberta, and 1984-96 for Ontario dairy farms.

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