

BACKGROUND

SUPPORT LEVELS

- Under Article 705 of the Canada-U.S. Free Trade Agreement (FTA) import licences are to be removed on oats, wheat, barley and their products when U.S. government support levels for each grain are equal to or less than Canadian government support levels.
- Based on calculations exchanged between Canada and the U.S. in 1989, import licences were removed for U.S. oats and oat products. However, import licences continued to be required for U.S. wheat and barley and their products.
- Based on calculations exchanged between Canada and the U.S. in 1990, import permits will continue to be required for U.S. wheat, barley and their products because levels of government support for these grains are higher in the U.S. than in Canada.
- The 1990 calculations are as follows:

| | Wheat | Barley |
|--------|--------|--------|
| Canada | 44.83% | 29.18% |
| U.S. | 45.80% | 52.64% |
- The method of calculating these levels of support is described in Annex 705.4 of the FTA. The formula takes into account direct and indirect support for each of these grains.
- For example, the calculations of Canadian government support levels take into account direct payments to producers through programs such as the Agricultural Stabilization Act and stabilization payments made by provincial governments. Indirect support to producers through funding of the Canadian Grain Commission, the Western Grain Transportation Act and agricultural research expenditures are also among those included in the calculations.
- The calculations of U.S. government support levels take into account direct payments to producers through programs such as the deficiency payments by the Commodity Credit Corporation (CCC), Conservation Reserve Program and CCC storage payments. Indirect support to producers includes for example, the Export Enhancement Program, CCC commodity loans and various government service programs.