

AGRICULTURAL SECTOR : QUESTION #9

Given the liberalization of markets under a NAFTA, what affect will there be on the dairy industry?

Background:**Canada-**

Canadian exports to Mexico include skim milk powder (SMP), pure-bred dairy cattle, and bovine semen. Mexico is the largest importer of Canadian SMP products, accounting for \$45 million or 60 percent of skim milk product exports in 1989. Imports are made under license of the CONASUPO.

Future declines in the volume of surplus SMP in Canada will, over the medium term limit Canadian imports to this market. While Mexico is also increasing self-sufficiency in fluid milk production, the Canadian breeding stock and semen exports should remain strong in the future, an area where Canada is competitive with the United States.

RESPONSE:

- MEXICO IS CANADA'S LARGEST MARKET FOR SKIM MILK POWDER. THE LIBERALIZATION OF MARKETS WILL SECURE ACCESS FOR THIS EXPORT PRODUCT. OPPORTUNITIES FOR EXPANSION OF BREEDING STOCK AND RELATED PRODUCTS WILL ALSO BE SIGNIFICANT IN THE FUTURE.

AGRICULTURAL SECTOR : QUESTION #10

- A) Under a NAFTA agreement, given the U.S. exports of grains to Mexico, what opportunities will develop for Canadian grain producers?

Background:

The three major cereal crops grown in Mexico are corn, sorghum and wheat. In wheat, there is near self-sufficiency with only occasional imports from the U.S., Canada and Australia. The United States and Argentina dominate the Mexican wheat imports sharing 99 percent of the Mexican import market in 1987-1988.

RESPONSE:

- IT IS CLEARLY IN CANADIAN INTERESTS TO SECURE ACCESS TO THE GROWING MEXICAN MARKET UNDER A NAFTA. THE OPPORTUNITY FOR EXPANSION OF CANADIAN EXPORTS OF GRAINS TO MEXICO EXISTS, HOWEVER, THE EXPANSION WILL ONLY BE FULLY ACHIEVED IF THE NORTH AMERICAN AGRICULTURAL MARKETS ARE FREE OF EXPORT SUBSIDIES AND TRADE RESTRICTIONS.