those in the United States at current exchange rates. An FTA would result in important adjustments at the farm level, and some producers would leave the industry. But important competitive adjustments have already been made in the course of high rates of farmers entering and exiting the industry. Interprovincial rationalization of production in line with comparative advantage would cause the exit of a number of poultry farmers in uncompetitive regions, but there is no evidence to suggest a major loss in the rest of the country. Offsetting this, however, is the fact that a large amount of wealth — probably close to $1 billion — would be removed with the loss of quotas, which would generate not only heated opposition to an open border but also demands for compensation should import controls in these products be removed. Whatever the merits for compensating producers at large for removal of this current protection, the large risk premium found in quota markets makes unpersuasive those arguments for rewarding recent quota purchasers with special compensation as long as a reasonable period of adjustment is negotiated.

Dairy Products

The other major component of the supply-management system is the dairy industry, where the value of the benefits of protection is the largest of any segment of Canadian agriculture. In 1980, benefits to dairy producers exceeded $1 billion; since that time, productivity has continued to increase and there has also been some increase in milk prices.[15]

These benefits have been achieved by producer prices that are now above those in most other Western countries and by a system of fluid and industrial milk quotas that keeps surplus production to a minimum. The system generates surpluses — some 95,000 tonnes of skim milk powder and 1.7 million