

average returns and reduces risks, it is also partly producer financed, and it represents a policy direction increasingly sought by the U.S. administration. This program is, however, more visible than the current hodge-podge of federal and provincial programs, and will likely attract attention in negotiations. The debate is likely to hinge on objective measures to distinguish between acceptable -- that is, not countervailable -- "stabilization" and unacceptable "support".

Finally, the important benefit to Canada of an FTA that includes red meats is the prospect of reducing present uncertainties regarding access to the U.S. market. Such an agreement would help to insulate Canada from the seemingly erratic application of contingency-protection measures -- such as countervail actions -- and could provide recourse to more effective dispute-settlement mechanisms. The importance and costly nature of current uncertainties is well illustrated by the hogs and pork case. The immediate gain to the hog sector and the potential gain to beef if U.S. countervail duties were applied in a less arbitrary fashion is likely to dominate all other potential benefits of an FTA to Canadian agriculture.

In addition to these direct effects, the red meats sector, like the dairy sector, also will be affected by any changes in local feed grain prices due to an FTA. The most important factor here is whether there are changes to the grain freight subsidies. The most dramatic effects on the red meats sector could result from payment of the Crow benefit under the WGTA to the farmers instead of the railroads -- lowering feed grain prices and stimulating beef finishing and calf production in Western Canada -- and removal of Feed Freight Assistance -- raising feed grain prices and inhibiting beef production in the Maritimes.