

**Scenario 4.** Canada and United States liberalize sugar trade; world sugar price goes to C \$400/ton. Gain above current policy by price  $P_c$  going from C \$380 to C \$400/ton.

Gain to:	Area	Canadian dollars (1,000)
Producers	10	11,549
Consumers	-7-8-9-10	-89,061
Nation	-7-8-9	-77,512

The following analysis of Canadian sugar policy in 1990 assumes Canada is a "small country" in the world market. The world price is assumed to be constant at C \$380/ton. The current Canadian support level is C \$300/ton. The U.S. support level is C \$250/ton. The U.S. supply curve is assumed to be constant at C \$250/ton. The U.S. demand curve is assumed to be constant at C \$400/ton. The Canadian supply curve is assumed to be constant at C \$300/ton. The Canadian demand curve is assumed to be constant at C \$400/ton. The Canadian government is assumed to be a price taker in the world market. The Canadian government is assumed to be a price taker in the world market. The Canadian government is assumed to be a price taker in the world market.

Scenario 2: Canada adopts U.S. support level of C \$250/ton. The world price is assumed to be constant at C \$380/ton. The current Canadian support level is C \$300/ton. The U.S. support level is C \$250/ton. The U.S. supply curve is assumed to be constant at C \$250/ton. The U.S. demand curve is assumed to be constant at C \$400/ton. The Canadian supply curve is assumed to be constant at C \$300/ton. The Canadian demand curve is assumed to be constant at C \$400/ton. The Canadian government is assumed to be a price taker in the world market. The Canadian government is assumed to be a price taker in the world market. The Canadian government is assumed to be a price taker in the world market.

Annex Figure 2. Canadian Sugar Market. The graph shows the supply and demand curves for Canadian sugar. The vertical axis is Canadian dollars (1,000) and the horizontal axis is quantity. The supply curve is a downward-sloping line starting at C \$300/ton. The demand curve is a downward-sloping line starting at C \$400/ton. The world price is C \$380/ton. The current Canadian support level is C \$300/ton. The U.S. support level is C \$250/ton. The U.S. supply curve is constant at C \$250/ton. The U.S. demand curve is constant at C \$400/ton. The Canadian government is assumed to be a price taker in the world market. The Canadian government is assumed to be a price taker in the world market. The Canadian government is assumed to be a price taker in the world market.

