which is already under way but which a trade agreement would speed up. This would happen most clearly in the dairy industry and, to a lesser extent, in the poultry and some parts of the fruit and vegetable sector. Gains would be likely only for beef, hogs, small fruits, cole crops, and storable vegetables, and none of these gains appear to be particularly large. That is why there appears to be little real enthusiasm for free trade within Canadian agriculture. Most groups, red meats excepted, either oppose inclusion of agriculture in such an agreement or support free trade for others but want their sector exempted.

How many of Canada's farmers or agricultural sectors are, in fact, competitive with their U.S. counterparts depends, among other things, on the value of the Canadian dollar. Much of the foregoing analysis is based on current exchange rates, and if the Canadian dollar rose by more than, say, 10 percent, the prognosis for Canadian agriculture under an FTA would be more pessimistic. Indeed, from the perspective of a traded commodity-producing industry like agriculture, the attractiveness of an FTA would depend on whether there was a substantial appreciation of the Canadian dollar that was not offset by improved commodity prices or lower domestic inflation.

In identifying harmonization pressures and policy options, we have not appraised whether free trade in agriculture would, in the long term, be good for the industry or for the Canadian economy at large. By focusing on adjustment costs and on disadvantages from reducing the economic rents farmers receive and from changing the status quo, we have mentioned only briefly the new opportunities that might arise from freer trade. First, in both the livestock and food processing sectors, some input costs, such as feed grain and raw materials costs, may fall, encouraging increased production in those sectors. Secondly, a market ten times that of Canada could become more accessible, and many Canadian agricultural regions are well located to serve