

Agricultural Support Policies

If most of the agricultural sector is to be included in a comprehensive trade agreement, a number of difficult harmonization issues will arise with respect to marketing boards, income support, and other regulatory policies. Both countries have complicated subsidy and price-support policies for different agricultural commodities. Bilateral trade has been relatively free in some commodities, such as red meat, except for occasional gluts when quotas have been imposed. (The recent hog and pork countervail case alters the situation considerably.) In other commodities, such as dairy products, both countries have elaborate systems of price and income support. Although the levels of support in the dairy sector are similar in both countries, the policy instruments are different. An open border in dairy products would put downward pressures on the price of dairy products as well as increase Canadian producers' exposure to U.S. policy changes. Similarly, freer trade would cause significant adjustments for Canadian farmers of other commodities, such as poultry and eggs, where marketing boards are the primary mechanism for Canadian domestic policies. The commodities under supply management would be subject to considerable harmonization pressures if they were brought within the scope of an FTA agreement because the domestic economic policies operate through manipulation of commodity prices.

Different types of problems could arise for the Canadian Wheat Board, which does not engage in supply management, from an opening of the borders for grain trade. At present, the Wheat Board issues licenses for grains, flour and bakery products imported into Canada. The Wheat Board's objectives are to charge higher prices to Canadian consumers of grains and to preserve quality standards that allow Canadian wheat to obtain a premium price on world markets. The implications of an FTA agreement for the Wheat Board will depend