

the prospects of an open border particularly unattractive to most dairy farmers. Some general form of compensation, without singling out recent quota purchasers, might be necessary for political reasons and an appropriate adjustment period would be called for.

### Grains and Oilseeds

Although Canada's grains and oilseeds sector is internationally competitive, exports about 70 percent of production, and sends very little of this export trade to the United States, it features a number of important policies that are bound to emerge in FTA negotiations. In part, this is because the United States and Canada are competitors in these products on the world market and neither country would wish the other to keep policies that, on balance, offer it an unfair advantage.

The main elements of Canadian policy and institutional arrangements that are relevant here are:

- o import controls that restrict access of U.S. grains and grain products to Canadian markets -- thus permitting the Canadian Wheat Board (CWB) to charge higher domestic prices -- or to Canadian marketing and transportation channels -- thus preserving an orderly and equitable flow of product into the Canadian elevator and transportation system;
- o grain licensing restrictions that prohibit licensing of lower-quality wheats visually indistinguishable from Canadian Hard Red Spring wheats;
- o monopoly grain export privileges possessed by the CWB;
- o subsidized freight rates under the Western Grain Transportation Act -- especially to U.S. destinations -- and under Feed Freight Assistance, which in some regions allows Prairie grains to displace local grain production; and