

~~CONFIDENTIAL~~

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~~CONFIDENTIEL~~Effects on Major Farm Inputs of Trade Liberalization
with the United States

As part of the analysis of the competitiveness of the agricultural sector in the context of changing trade arrangements with the United States, profiles of the various agricultural subsectors have been prepared.

EXHIBIT
Sec. 15 (1)

This paper addresses the four major inputs purchased by farmers in non-agricultural markets (fertilizer, crop protection chemicals and pharmaceuticals, machinery, and energy inputs) and farm wages. In addition, the situation for fuel alcohol based on agricultural raw materials is addressed. The four major input sectors are very different from each other in such terms as the Canadian market share in relation to Canadian production, and influence of regulatory and other policies not directly linked to trade policies. Each major farm input is therefore dealt with separately for the purposes of this note. Table I shows some trade and cost data.

Fertilizers

Canada is a large producer of nitrogen fertilizer (ammonia and urea), with production concentrated in Alberta. Most of Western Canada's nitrogen fertilizer production is exported (currently 75 percent), mainly to the United States. Nitrogen fertilizer is imported into Eastern Canada, both from the United States and from other countries. Eastern Canadian nitrogen fertilizer exports to the United States are about equal to imports from the United States.