

BACKGROUND

SUPPORT LEVELS

Under Article 705 of the Canada-U.S. Free Trade Agreement (FTA), import permits are to be removed on oats, wheat, barley and their products when U.S. government support levels for each grain are equal to or less than Canadian government support levels.

Based on calculations exchanged between Canada and the U.S. on May 3, 1989, import permits are to be removed for oats effective immediately. However, import permits still will be required for wheat and barley entering Canada from the U.S..

The calculations are as follows:

	Oats	Wheat	Barley
Canada	11.09%	46.28%	50.23%
U.S.	8.74%	61.62%	72.49%

The method of calculating these levels of support is described in Annex 705.4 of the FTA. The formula takes into account direct and indirect support for each of these grains.

For example, the calculations of Canadian government support levels take into account direct payments to producers through programs such as the Agricultural Stabilization Act and stabilization payments made by provincial governments. Indirect support to producers through funding of the Canadian Grain Commission, the Western Grain Transportation Act and agricultural research expenditures are also included in the calculations.

The calculations of U.S. government support levels take into account direct payments to producers through programs such as the deficiency payments by the Commodity Credit Corporation (CCC), Conservation Reserve Program and CCC storage payments. Indirect support to producers includes the Export Enhancement Program, CCC commodity loans and government service programs.