

assets (in fact, he must have some equity) for which he has chosen to accept a lower-than-normal return. For example, a farmer who received his quota at the outset of the scheme could afford to see his costs rise compared to those of his neighbor and might choose to consume some of the rent his quota could otherwise earn in the form of reduced efficiency.

Fourth, there are those farmers in less competitive regions and provinces who, despite good management, have unit costs that are so high that they are unable to bid the going price for quota selling in the major competitive provinces. This last group would be unable to compete if there was free trade within Canada, and would likely leave the poultry and egg business. It is these last two groups of farmers who would feel the greatest competitive pressures with free bilateral trade.

Evidence to predict the number of farmers who would fit into each of these four categories is unavailable. If we know the rate of entry into the industry, however, we can determine the number of entrants who must have acquired a quota in order to begin production. From census data, we note that the rate of gross entry into, or exit from, the poultry sector has been unusually high, particularly in the 1976-81 period.<sup>12</sup> Among the largest 25 percent of farms, for example, more than one-quarter of those farming in 1981 had entered since 1976; it is possible that, by 1985, about one-half of these poultry and egg producers have begun farming since 1976. Considerable entry to poultry and egg production from other farming activities (not counted above) exists as well, and there is likely to have been some expansion by ongoing farms. All this evidence points to a very large amount of quota transfer, and even allowing for nonmarket transfers and below-market-price rollovers to some producers' children, a considerable number of producers must have purchased quotas. On average, these producers would at least be able to compete with U.S. border prices. Moreover, the high rate of exit indicates that many uncompetitive producers likely have already left the industry.<sup>13</sup>