

because of the program that the Americans are offering which is sometimes sold world-wide as being a program to restrict production. In effect, it has increased production and put soils into production that should probably never have been put into production.

What does the farmer do if he is an American farmer. After he has harvested his wheat he can take out a loan. The loan rate for this year of \$2.04 American translates into roughly \$2.40 Canadian.

In effect, the U.S. government has control of that grain at the loan rate. If the price goes up, the farmer can pay the interest and storage charges, buy it back and resell it on to the market. The reality is that there is enough wheat in the United States so that that very rarely happens.

Effectively, the loan rate becomes the price that the U.S. government turns into holdings, which it accumulates over time. The grain becomes theirs and it is then turned over to the multinational grain corporations to market outside of the U.S.

The price of that grain becomes the U.S. loan rate. Those multinational corporations found that the U.S. loan rate of \$2.40 a bushel Canadian did not make that wheat really easy to sell. They had to compete against everybody else because the rest of us have cut our prices accordingly. They have convinced the government that they need a second tool, which is the Export Enhancement Program, whereby the U.S. government supplies funds to those companies which lower the cost to those companies by as much as \$55 a tonne more.

Hence, the United States is able to offer grain out of the Gulf of Mexico ports at approximately \$80 a tonne. Meanwhile, the Europeans have created a system, called the Common Agricultural Policy, which relies on a host of import levies and export restitutions. They try to keep their price of wheat to approximately \$8 a bushel Canadian. Any grain products that go into the European community enter at the international price, which is generally considered to be the loan rate in the United States, plus a difference between \$8 and that price.

Grain and oilseed products going into Europe have to pay this very large levy which goes into a fund and assists the European community to provide export restitutions

Supply

to their farmers when they over-produce and have to sell some of their produce outside of the market.

As a consequence, the cost to the European treasuries are not very high, but the cost to importers is quite high. The effect on other exporters around the world is quite devastating because they use their restitutions to roll the price back down to the U.S. loan rate.

Everybody is happy in this system, if they happen to be Americans or Europeans, but the rest of the world is very unhappy with this system.

The multinational grain companies benefit. They do very well by it. They still handle their volumes. Forty per cent of their world trade is in U.S. wheat and grains. Approximately 20 per cent of their business is European grains. As a consequence, the synergy between the multinational corporations and the big power governments in this case has worked very well for them, but it has been pretty hard on Third World countries and farmers like we have here in Canada.

We have no ready way of being able to subsist against that kind of competition. It is often asked: "What can we do about this kind of system?" There are two answers that have been pursued, one with some vigour. There was a proposal which began in the Uruguay Round to try to limit these kinds of subsidized activities as they apply to agriculture. There was an attempt to include agricultural subsidies and trade in the recent GATT round.

That round fell apart in early December. It may be extended for another year or two, but so far that is depending almost exclusively on the reaction in the U.S. with its President and Congress. Currently, there are some discussions going on to tie the new fast track to the U.S.-Mexico trade arrangements so that the GATT fast track and the Mexican fast track will be together, which means that the President and his advisers will be able to use the good that the American economy will extract from the U.S.-Mexican arrangement in getting access to cheaper labour along with the further internationalization of its trade commitments under the GATT. The politics are that they are trying to tie the two issues together for fast-track purposes so that the growing concern in the U.S. about including agriculture in the package will not scuttle the fast track and with it any