

|                  | Annual benefits in:        |                     |
|------------------|----------------------------|---------------------|
|                  | United States <sup>a</sup> | Canada <sup>b</sup> |
|                  | (million dollars)          |                     |
| Consumer welfare | 1,450                      | -77                 |
| Producer welfare | -1,200                     | 10                  |
| National welfare | 250                        | -67                 |

<sup>a</sup>Midpoint estimates for 1985 from Council of Economic Advisors (1, p. 159) assuming world sugar prices increase 50 percent with liberalization.

<sup>b</sup>Assumes supply elasticity of .3 and demand elasticity of -.24 for Canada under 1990 conditions (Annex B).

Poultry and dairy are highly protected in Canada, and major welfare gain accrue to that country from liberalization. In contrast sugar is heavily protected in the U.S. and major gains accrue to the U.S. and losses to Canada from liberalization. With complete liberalization by the U.S. and Canada, world price rises to 17 cents per pound. Raising the world sugar price costs Canadian consumers \$77 million. Canadian producers gain \$10 million, but their production is too small to avoid a large loss of \$67 million to the Canadian public at large.

Benefits of peanut liberalization of the protected U.S. market are much smaller, because peanuts are a small proportion of U.S. farm output and utilize a two-price system largely transferring income from U.S. consumers to U.S. producers. Benefits of tobacco liberalization also are small because savings in production costs could be offset by social costs of higher tobacco consumption with a lower price.

### Durum Wheat and Pasta

A number of studies summarized by Linda Evers-Smith examined the price impacts of distortion in markets introduced by restrictions on Canadian durum wheat exports to the United States. We analyzed welfare impacts under a wide range of price elasticity and other assumptions, but never found a welfare (deadweight) loss in excess of \$1 million. Transfers of income between producers and consumers were also modest in relation to those for other commodities. Our conclusions is that removal of trade distortions in poultry, dairy, and sugar are of higher priority than durum wheat (or peanut and tobacco) liberalization.