circumstances, much as one finds currently with beef and pork. But an open border would also subject some milk processing plants to additional competition from high-volume, low-cost U.S. plants. This competition could be expected to increase pressures on those Canadian plants to rationalize operations to achieve the size economies available from volume production of standardized products. As an offset to these adjustments, specialty operations producing high-quality products would have the opportunity to expand their sales.

In summary, despite comparable levels of protection for the U.S. and Canadian dairy industries, policy harmonization in these industries would appear to provoke some significant changes in the Canadian industry. First, an open border largely would equalize industrial and fluid milk prices between the two countries, and although this primarily would mean some increased production and major reductions in rents to producers in the fluid sector, it also would mean a removal of industrial milk quotas and open-market-determined prices in the industrial milk sector. This appears to be where the U.S. industry is heading, and even if it were not, the difficulties in harmonizing each country's current policies with surplus-inducing price levels in both countries would be challenging.

Although many Canadian dairy farmers are efficient enough to accommodate this fall in prices — indeed, localized exports to the United States are possible — many others have costs that are too high to allow them to continue producing milk. This adjustment problem appears to be larger than in the case of the poultry industry. As in poultry, the probable loss in milk quota values would be very high, as much as $2.1 billion in fluid milk quotas and $3.1 billion in industrial milk quotas using current market values. Although the dairy industry could survive and even prosper under an FTA, this large loss in wealth and the reduction in the number of dairy farms would make