Since 1980, major farm input prices have remained constant or have fallen, productivity growth in this sector appears not to have abated, either absolutely or relative to the U.S. industry, and the Canadian dollar has fallen in value by at least 10 percent relative to the U.S. dollar. If Canada were now to remove import controls in this sector, the likelihood is that it would, with adjustments, achieve a net export position, at least in eggs. At the very least, there is little evidence for predicting sizable long-term imports of poultry and eggs from the United States.

Such a longer-term scenario would not occur without some significant changes at the farm level, which would differ greatly across producers. All producers would face a lower price and, hence, reduced gross cash flows, but would be unconstrained in their production. The responses of individual farmers would depend on the level of their marginal costs and in which of four categories they find themselves.

First, there are those farmers who have been purchasing quota in the major and competitive producing provinces and whose unit costs appear to be at or below the price of the landed U.S. product. These farmers would be competitive under an FTA and some would even expand production. In fact, the challenges these farmers would face from an open border are likely to be less difficult than those they faced if they entered the industry with mostly debt-financed quota purchases.

Second, there are those farmers who, while not buying quota, have maintained their productivity and remain competitive with the first group, or who could become competitive by upgrading their operations during a period of adjustment.

Third, there are those farmers who are typically older, who have not purchased quota, who have seen their unit costs rise, and who are not earning the normal return on all their assets. The typical farmer in this group owns